MONTANA LEGISLATIVE HISTORY

Chapter 149 ~~19~~ 2001

Bill H B294 S _____ Original bill & history ✓ C

H. Committee on State Admin

Hearing Date(s) h 1/31 ___C

v 2/07 ___C

_____ ___C

_____ ___C

Date Out _____ ___C

S. Committee on State Admin

Hearing Date(s) h 3/06 ___C

v 3/07 ___C

_____ ___C

_____ ___C

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

Montana Legislative Branch

Montana Legislature
Detailed Bill Information

January 2001 Regular Session

2001 January Regular Session

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Bill Draft Number: LC0459 Current Bill Text: HTML PDF
Bill Type - Number: HB 294 Fiscal Note
Short Title: Authorize retirement boards to increase annual benefit adjustment
Primary Sponsor: Dave Lewis
Chapter Number: 149

Bill Actions - **Current Bill Progress:** Became Law

Bill Action Count: 48

Print Friendly

Action - Most Recent First	Date	Votes Yes	Votes No	Committee
Chapter Number Assigned	03/29/2001			
(H) Signed by Governor	03/29/2001			
(H) Transmitted to Governor	03/19/2001			
(S) Signed by President	03/19/2001			
(H) Signed by Speaker	03/14/2001			
(H) Returned from Enrolling	03/14/2001			
(C) Printed - New Version Available	03/14/2001			
(H) Sent to Enrolling	03/14/2001			
(S) Returned to House	03/13/2001			
(S) 3rd Reading Concurred	03/13/2001	50	0	
(S) Scheduled for 3rd Reading	03/13/2001			
(C) Printed - New Version Available	03/12/2001			
(S) 2nd Reading Concurred on Voice Vote	03/12/2001	49	0	
(S) Scheduled for 2nd Reading	03/12/2001			
(S) Committee Report--Bill Concurred	03/08/2001			(S) State Administration
(S) Committee Executive Action--Bill Concurred	03/07/2001	8	0	(S) State Administration
(S) Hearing	03/06/2001			(S) State Administration
(S) Referred to Committee	02/21/2001			(S) State Administration
(S) First Reading	02/21/2001			
(H) Transmitted to Senate	02/12/2001			
(H) 3rd Reading Passed	02/12/2001	97	3	
(H) Scheduled for 3rd Reading	02/12/2001			
(H) 2nd Reading Passed	02/10/2001	96	2	
(H) Scheduled for 2nd Reading	02/10/2001			
(H) Committee Report--Bill Passed	02/07/2001			(H) State Administration
(H) Committee Executive Action--Bill Passed	02/07/2001	17	0	(H) State Administration
(H) Hearing	01/31/2001			(H) State Administration
(H) Referred to Committee	01/23/2001			(H) State Administration
(H) Fiscal Note Printed	01/19/2001			
(H) Fiscal Note Received	01/19/2001			
(C) Introduced Bill Text Available Electronically	01/13/2001			

(H) Fiscal Note Requested	01/13/2001			
(H) First Reading	01/13/2001			
(H) Introduced	01/13/2001			
(C) Draft Delivered to Requester	01/11/2001			
(C) Draft Ready for Delivery	01/11/2001			
(C) Draft in Assembly/Executive Director Review	01/10/2001			
(C) Draft in Final Drafter Review	01/10/2001			
(C) Bill Draft Text Available Electronically	01/10/2001			
(C) Draft in Input/Proofing	01/10/2001			
(C) Draft to Drafter - Edit Review [CMD]	01/10/2001			
(C) Draft to Drafter - Edit Review [SAB]	01/10/2001			
(C) Draft in Edit	01/09/2001			
(C) Draft in Legal Review	01/08/2001			
(C) Draft to Requester for Review	01/05/2001			
(C) Draft On Hold	11/21/2000			
(C) Fiscal Note Probable	11/10/2000			
(C) Draft Request Received	11/10/2000			

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Sponsor, etc.

Sponsor, etc.	Last Name/Organization	First Name	Mi
Requester	Lewis	Dave	
Drafter	Niss	David	
Primary Sponsor	Lewis	Dave	

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Subjects

Description	Revenue/Approp.	Vote Majority Req.	Subject Code
Public Officers and Employees		Simple	POFF
Retirement (see also: Senior Citizens)		Simple	RETR
Teachers		Simple	TEA

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Additional Bill Information

Fiscal Note Probable: Yes
Preintroduction Required: N
Session Law Ch. Number: 149
DEADLINE
Category: General Bills
Transmittal Date: 02/23/2001

Return (with 2nd house amendments) Date: 03/31/2001

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Section Effective Dates

Section(s)	Effective Date	Date Qualified
All Sections	29-MAR-01	

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2001 Montana Legislature

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HOUSE BILL NO. 294

INTRODUCED BY D. LEWIS, BECK, R. BROWN, CALLAHAN, CLANCY, P. CLARK, COCCHIARELLA, R. ERICKSON, ESP, FACEY, G. FORRESTER, GALLIK, GALLUS, GALVIN-HALCRO, GILLAN, GRIMES, HALLIGAN, HARGROVE, HARRINGTON, JACOBSON, JENT, KEANE, KEENAN, LASLOVICH, LENHART, LINDEEN, MASOLO, MATTHEWS, MCCARTHY, MCGEE, MCKENNEY, D. MOOD, NEWMAN, RASER, RYAN, SHEA, SLITER, STONINGTON, B. THOMAS, TOOLE, J. TROPILA, WANZENRIED, WATERMAN, C. YOUNKIN

AN ACT RELATING TO PUBLIC EMPLOYEE RETIREMENT SYSTEM BENEFITS; AMENDING DEFINITIONS; PROVIDING FOR A PURCHASING POWER ADJUSTMENT IN BENEFITS PAID BY THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM; REQUIRING AN INCREASE IN THE GUARANTEED ANNUAL BENEFIT ADJUSTMENT FOR MEMBERS OF CERTAIN PUBLIC EMPLOYEE RETIREMENT SYSTEMS; PROVIDING AN ELECTION BETWEEN THE GUARANTEED ANNUAL BENEFIT ADJUSTMENT AND OTHER ADJUSTMENTS IN RETIREMENT BENEFIT FOR MEMBERS OF CERTAIN PUBLIC EMPLOYEE RETIREMENT SYSTEMS; INCREASING THE MINIMUM MONTHLY BENEFIT ALLOWANCE FOR RETIREES AND BENEFICIARIES OF THE TEACHERS' RETIREMENT SYSTEM; AUTHORIZING UPON CERTAIN CONDITIONS AN INCREASE IN THE GUARANTEED ANNUAL BENEFIT ADJUSTMENT FOR THE TEACHERS' RETIREMENT SYSTEM; AMENDING SECTIONS 19-2-303, 19-3-108, 19-3-1605, 19-5-901, 19-6-101, 19-6-710, 19-7-101, 19-7-711, 19-8-101, 19-8-1105, 19-9-1009, 19-9-1010, 19-13-1010, 19-20-622, AND 19-20-719, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 19-2-303, MCA, is amended to read:

"19-2-303. (Temporary) Definitions. Unless the context requires otherwise, for each of the retirement systems subject to this chapter, the following definitions apply:

(1) "Accumulated contributions" means the sum of all the regular and any additional contributions made by a member in a system, together with the regular interest on the contributions.

(2) "Active member" means a member who is a paid employee of an employer, is making the required contributions, and is properly reported to the board for the most current reporting period.

(3) "Actuarial cost" means the amount determined by the board in a uniform and nondiscriminatory manner to represent the present value of the benefits to be derived from the additional service to be credited based on the most recent actuarial valuation for the system and the age, years until retirement, and current salary of the member.

(4) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of the ~~1971 Group Annuity Mortality Table, with ages set back 4 years and an interest rate of 8% compounded annually~~ mortality table and interest rate assumptions adopted by the board.

(5) "Actuarial liabilities" means the excess of the present value of all benefits payable under a retirement system over the present value of future normal costs in that retirement system.

(6) "Actuary" means the actuary retained by the board in accordance with 19-2-405.

(7) "Additional contributions" means contributions made by a member to purchase various types of optional service credit as allowed by the applicable retirement system.

(8) "Annuity" means equal and fixed payments for life that are the actuarial equivalent of a lump-sum payment under a retirement system and as such are not benefits paid by a retirement system and are not subject to periodic or one-time increases.

(9) "Benefit" means the service or disability retirement or survivorship benefit payment provided by a retirement system.

(10) "Board" means the public employees' retirement board provided for in 2-15-1009.

(11) "Contingent annuitant" means a person designated to receive a continuing monthly benefit after the death of a retired member.

(12) "Credited service" or "service credit" means the periods of time for which the required contributions have been made to a retirement system and that are used to calculate service or disability retirement or survivorship benefits under a retirement system.

(13) "Department" means the department of administration.

(14) "Designated beneficiary" means the person designated by a member or payment recipient to receive any survivorship benefits or lump-sum payments upon the death of the member or payment recipient, including annuities derived from the benefits or payments.

(15) "Disability" means a total inability of the member to perform the member's duties by reason of physical or mental incapacity. The disability must be incurred while the member is an active member and must be one of permanent duration or of extended and uncertain duration, as determined by the board on the basis of competent medical opinion.

(16) "Employee" means a person who is employed by an employer in any capacity and whose salary is being paid by the employer.

(17) "Employer" means a governmental entity participating in a retirement system enumerated in 19-2-302 on behalf of its eligible employees.

(18) "Essential elements of the position" means fundamental job duties. An element may be considered essential because of but not limited to the following factors:

(a) the position exists to perform the element;

(b) there are a limited number of employees to perform the element; or

(c) the element is highly specialized.

(19) "Fiscal year" means a plan year, which is any year commencing with July 1 and ending the following June 30.

(20) "Inactive member" means a member who is not an active or retired member.

(21) "Internal Revenue Code" means the federal Internal Revenue Code of 1954 or 1986, as applicable to a retirement system, as that code provided on July 1, 1999.

(22) "Member" means any person with accumulated contributions and service credited with a retirement system or receiving a retirement benefit on account of the person's previous service credited in a retirement system.

(23) "Membership service" or "years of service" means the periods of service that are used to determine eligibility for retirement or other benefits.

(24) "Normal cost" or "future normal cost" means an amount calculated under an actuarial cost method required to fund accruing benefits for members of a retirement system during any year in the future. Normal cost does not include any portion of the supplemental costs of a retirement system.

(25) "Pension" means benefit payments for life derived from contributions to a system made from state- or employer-controlled funds.

(26) "Pension trust fund" means a fund established to hold the contributions, income, and assets of a retirement system in public trust.

(27) "Regular contributions" means contributions required from members under a retirement system.

(28) "Regular interest" means interest at the rate set from time to time by the board.

(29) "Retirement" or "retired" means the status of a member who has been terminated from service for at least 30 days and has received and accepted a retirement benefit from a retirement system.

(30) "Retirement benefit" means the periodic benefit payable as a result of service, early, or disability retirement under a retirement system. An annuity is not a retirement benefit.

(31) "Retirement system" or "system" means one of the public employee retirement systems enumerated in 19-2-302.

(32) "Service" means employment of an employee in a position covered by a retirement system.

(33) "Statutory beneficiary" means the surviving spouse or dependent child or children of a member

of the highway patrol officers', municipal police officers', or firefighters' unified retirement system who are statutorily designated to receive benefits upon the death of the member.

(34) "Supplemental cost" means an element of the total actuarial cost of a retirement system arising from benefits payable for service performed prior to the inception of the retirement system or prior to the date of contribution rate increases, changes in actuarial assumptions, actuarial losses, or failure to fund or otherwise recognize normal cost accruals or interest on supplemental costs. These costs are included in the unfunded actuarial liabilities of the retirement system.

(35) "Survivorship benefit" means payments for life to the statutory or designated beneficiary of a deceased member who died while in service under a retirement system.

(36) "Termination of employment" or "termination of service" means that the member has severed the employment relationship with the employer and has been paid all compensation due upon termination of employment, including but not limited to payment of accrued annual leave credits, as provided in 2-18-617, and payment of accrued sick leave credits, as provided in 2-18-618. For purposes of this subsection, compensation as a result of legal action, court order, appeal, or settlement to which the board was not party is not a payment due upon termination.

(37) "Unfunded actuarial liabilities" or "unfunded liabilities" means the excess of a retirement system's actuarial liabilities at any given point in time over the value of its cash and investments on that same date.

(38) "Vested member" or "vested" means a member or the status of a member who has attained the minimum membership service requirements to be eligible for retirement benefits under a retirement system.

(39) "Written application" means a written instrument, specified by the board, properly executed, and filed with the board, that contains all the information required by the board, including documentation that the board considers necessary.

19-2-303. (Effective on occurrence of contingency or July 1, 2002, whichever is earlier) Definitions. Unless the context requires otherwise, for each of the retirement systems subject to this chapter, the following definitions apply:

(1) "Account balance" means all contributions, income, and other assets in a retirement account that have, pursuant to 19-3-2116, vested to a member of the defined contribution plan.

(2) "Accumulated contributions" means the sum of all the regular and any additional contributions made by a member in a defined benefit plan, together with the regular interest on the contributions.

(3) "Active member" means a member who is a paid employee of an employer, is making the required contributions, and is properly reported to the board for the most current reporting period.

(4) "Actuarial cost" means the amount determined by the board in a uniform and nondiscriminatory manner to represent the present value of the benefits to be derived from the additional service to be credited based on the most recent actuarial valuation for the system and the age, years until retirement, and current salary of the member.

(5) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of the ~~1971~~

~~Group Annuity Mortality Table, with ages set back 4 years and an interest rate of 8% compounded annually~~ mortality table and interest rate assumptions adopted by the board.

(6) "Actuarial liabilities" means the excess of the present value of all benefits payable under a defined benefit retirement plan over the present value of future normal costs in that retirement plan.

(7) "Actuary" means the actuary retained by the board in accordance with 19-2-405.

(8) "Additional contributions" means contributions made by a member of a defined benefit plan to purchase various types of optional service credit as allowed by the applicable retirement plan.

(9) "Annuity" means:

(a) in the case of a defined benefit plan, equal and fixed payments for life that are the actuarial equivalent of a lump-sum payment under a retirement plan and as such are not benefits paid by a retirement plan and are not subject to periodic or one-time increases; or

(b) in the case of the defined contribution plan, a payment of a fixed sum of money at regular intervals.

(10) "Benefit" means:

(a) the service or disability retirement or survivorship benefit payment provided by a defined benefit retirement plan; or

(b) a payment or distribution under the defined contribution retirement plan for the exclusive benefit of a plan member or the member's beneficiary or an annuity purchased under 19-3-2124.

(11) "Board" means the public employees' retirement board provided for in 2-15-1009.

(12) "Contingent annuitant" means a person designated to receive a continuing monthly benefit after the death of a retired member.

(13) "Covered employment" means employment in a covered position.

(14) "Covered position" means a position in which the employee must be a member of the retirement system except as otherwise provided by law.

(15) "Credited service" or "service credit" means the periods of time for which the required contributions have been made to a retirement plan and that are used to calculate service or disability retirement or survivorship benefits under a defined benefit retirement plan.

(16) "Defined benefit retirement plan" or "defined benefit plan" means a plan within the retirement systems provided for pursuant to 19-2-302 that is not the defined contribution retirement plan.

(17) "Defined contribution retirement plan" or "defined contribution plan" means the plan within the public employees' retirement system established in 19-3-103 that is provided for in chapter 3, part 21, of this title and that is not a defined benefit plan.

(18) "Department" means the department of administration.

(19) "Designated beneficiary" means the person designated by a member or payment recipient to receive any survivorship benefits, lump-sum payments, or benefit from a retirement account upon the death of the member or payment recipient, including annuities derived from the benefits or payments.

(20) "Disability" means a total inability of the member to perform the member's duties by reason of physical or mental incapacity. The disability must be incurred while the member is an active member and must be one of permanent duration or of extended and uncertain duration, as determined by the board on the basis of competent medical opinion.

(21) "Employee" means a person who is employed by an employer in any capacity and whose salary is being paid by the employer.

(22) "Employer" means a governmental entity participating in a retirement system enumerated in 19-2-302 on behalf of its eligible employees.

(23) "Essential elements of the position" means fundamental job duties. An element may be considered essential because of but not limited to the following factors:

(a) the position exists to perform the element;

(b) there are a limited number of employees to perform the element; or

(c) the element is highly specialized.

(24) "Fiscal year" means a plan year, which is any year commencing with July 1 and ending the following June 30.

(25) "Inactive member" means a member who is not an active or retired member.

(26) "Internal Revenue Code" means the federal Internal Revenue Code of 1954 or 1986, as applicable to a retirement system, as that code provided on July 1, 1999.

(27) "Member" means either:

(a) a person with accumulated contributions and service credited with a defined benefit retirement plan or receiving a retirement benefit on account of the person's previous service credited in a retirement system; or

(b) a person with a retirement account in the defined contribution plan.

(28) "Membership service" or "years of service" means the periods of service that are used to determine eligibility for retirement or other benefits.

(29) "Normal cost" or "future normal cost" means an amount calculated under an actuarial cost method required to fund accruing benefits for members of a defined benefit retirement plan during any year in the future. Normal cost does not include any portion of the supplemental costs of a retirement plan.

(30) "Pension" means benefit payments for life derived from contributions to a retirement plan made from state- or employer-controlled funds.

(31) "Pension trust fund" means a fund established to hold the contributions, income, and assets of a retirement system or plan in public trust.

(32) "Plan choice rate" means the amount of the employer contribution as a percentage of payroll covered by the defined contribution plan members that is allocated to the public employees' retirement system's defined benefit plan pursuant to 19-3-2117 and that is adjusted by the board pursuant to 19-3-2121 to actuarially fund the unfunded liabilities and the normal cost rate changes in a defined benefit plan resulting from member selection of the defined contribution plan.

(33) "Regular contributions" means contributions required from members under a retirement plan.

(34) "Regular interest" means interest at the rate set from time to time by the board.

(35) "Retirement" or "retired" means the status of a member who has been terminated from service for at least 30 days and has received and accepted a retirement benefit from a retirement plan.

(36) "Retirement account" means an individual account within the defined contribution retirement plan for the deposit of employer and employee contributions and other assets for the exclusive benefit of a member of the defined contribution plan or the member's beneficiary.

(37) "Retirement benefit" means:

(a) in the case of a defined benefit plan, the periodic benefit payable as a result of service, early, or disability retirement under a defined benefit plan of a retirement system. With respect to a defined benefit plan, the term does not mean an annuity.

(b) in the case of the defined contribution plan, a benefit as defined in subsection (10)(b).

(38) "Retirement system" or "system" means one of the public employee retirement systems enumerated in 19-2-302.

(39) "Service" means employment of an employee in a position covered by a retirement system.

(40) "Statutory beneficiary" means the surviving spouse or dependent child or children of a member of the highway patrol officers', municipal police officers', or firefighters' unified retirement system who are statutorily designated to receive benefits upon the death of the member.

(41) "Supplemental cost" means an element of the total actuarial cost of a defined benefit retirement plan arising from benefits payable for service performed prior to the inception of the retirement plan or prior to the date of contribution rate increases, changes in actuarial assumptions, actuarial losses, or failure to fund or otherwise recognize normal cost accruals or interest on supplemental costs. These costs are included in the unfunded actuarial liabilities of the retirement plan.

(42) "Survivorship benefit" means payments for life to the statutory or designated beneficiary of a deceased member who died while in service under a defined benefit retirement plan.

(43) "Termination of employment" or "termination of service" means that the member has severed the employment relationship with the employer and has been paid all compensation due upon termination of employment, including but not limited to payment of accrued annual leave credits, as provided in 2-18-617, and payment of accrued sick leave credits, as provided in 2-18-618. For purposes

of this subsection, compensation as a result of legal action, court order, appeal, or settlement to which the board was not party is not a payment due upon termination.

(44) "Unfunded actuarial liabilities" or "unfunded liabilities" means the excess of a defined benefit retirement plan's actuarial liabilities at any given point in time over the value of its cash and investments on that same date.

(45) "Vested member" or "vested" means:

(a) with respect to a defined benefit plan, a member or the status of a member who has attained the minimum membership service requirements to be eligible for retirement benefits under the retirement plan; or

(b) with respect to the defined contribution plan, a member or the status of a member who, pursuant to 19-3-2116, is entitled to employer contributions and income on those contributions in the member's retirement account.

(46) "Written application" means a written instrument, specified by the board, properly executed, and filed with the board, that contains all the information required by the board, including documentation that the board considers necessary."

Section 2. Section 19-3-108, MCA, is amended to read:

"19-3-108. (Temporary) Definitions. Unless the context requires otherwise, as used in this chapter, the following definitions apply:

(1) (a) "Compensation" means remuneration paid out of funds controlled by an employer in payment for the member's services, or for time during which the member is excused from work because of a holiday or because the member has taken compensatory leave, sick leave, annual leave, or a leave of absence, before any pretax deductions allowed by state or federal law are made.

(b) Compensation does not include:

(i) the payments or contributions made in lieu of wages for an individual subject to 19-3-403(4)(a);

(ii) in-kind goods provided by the employer, such as uniforms, housing, transportation, or meals;

(iii) in-kind services, such as the retraining allowance paid pursuant to 2-18-622, or employment-related services;

(iv) contributions to group insurance, such as that provided under 2-18-701 through 2-18-704; and

(v) lump-sum payments for compensatory leave, sick leave, or annual leave paid without termination of employment.

(2) "Contracting employer" means any political subdivision or governmental entity that has contracted to come into the system under this chapter.

(3) "Employer" means the state of Montana, its university system or any of the colleges, schools, components, or units of the university system for the purposes of this chapter, or any contracting employer, except that a nonprofit mental health corporation established pursuant to 53-21-204 may not be an employer with regard to employees hired after June 30, 1999.

(4) "Employer contributions" means payments to the pension trust fund pursuant to 19-3-316 from appropriations of the state of Montana and from contracting employers.

(5) "Final average salary" means a member's highest average monthly compensation during any 36 consecutive months of membership service. Lump-sum payments for severance pay, including compensatory leave, sick leave, and annual leave, paid to the member upon termination of employment may be used in the calculation of a retirement benefit only to the extent that they are used to replace, on a month-for-month basis, the regular compensation for a month or months included in the calculation of the final average salary. A lump-sum payment may not be added to a single month's compensation.

19-3-108. (Effective on occurrence of contingency or July 1, 2002, whichever is earlier) Definitions. Unless the context requires otherwise, as used in this chapter, the following definitions apply:

(1) (a) "Compensation" means remuneration paid out of funds controlled by an employer in payment for the member's services, or for time during which the member is excused from work because of a holiday or because the member has taken compensatory leave, sick leave, annual leave, or a leave of absence, before any pretax deductions allowed by state or federal law are made.

(b) Compensation does not include:

(i) the payments or contributions made in lieu of wages for an individual subject to 19-3-403(4)(a);

(ii) in-kind goods provided by the employer, such as uniforms, housing, transportation, or meals;

(iii) in-kind services, such as the retraining allowance paid pursuant to 2-18-622, or employment-related services;

(iv) contributions to group insurance, such as that provided under 2-18-701 through 2-18-704; and

(v) lump-sum payments for compensatory leave, sick leave, or annual leave paid without termination of employment.

(2) "Contracting employer" means any political subdivision or governmental entity that has contracted to come into the system under this chapter.

(3) "Defined benefit plan" means the plan within the public employees' retirement system established in 19-3-103 that is not the defined contribution plan.

(4) "Employer" means the state of Montana, its university system or any of the colleges, schools, components, or units of the university system for the purposes of this chapter, or any contracting employer, except that a nonprofit mental health corporation established pursuant to 53-21-204 may not be an employer with regard to employees hired after June 30, 1999.

(5) "Employer contributions" means payments to a pension trust fund pursuant to 19-3-316 from

appropriations of the state of Montana and from contracting employers.

(6) "Final average salary" means a member's highest average monthly compensation during any 36 consecutive months of membership service. Lump-sum payments for severance pay, including payment for compensatory leave, sick leave, and annual leave, paid to the member upon termination of employment may be used in the calculation of a retirement benefit only to the extent that they are used to replace, on a month-for-month basis, the regular compensation for a month or months included in the calculation of the final average salary. A lump-sum payment may not be added to a single month's compensation.

(7) "System" or "retirement system" means the public employees' retirement system established in 19-3-103."

Section 3. Section 19-3-1605, MCA, is amended to read:

"19-3-1605. Guaranteed annual benefit adjustment. (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by ~~1.5%~~ 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a ~~1.5%~~ 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of ~~1.5%~~ 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a ~~1.5%~~ 3% annualized increase, then the benefit increase provided under this section must be 0%.

(c) If a benefit recipient is a contingent annuitant receiving an optional benefit upon the death of the original payee that occurred since the preceding January, the new recipient's monthly benefit must be increased to ~~1.5%~~ 3% more than the amount that the contingent annuitant would have received had the contingent annuitant received a benefit during the preceding January.

(3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made; and

(b) the benefit recipient is not an active member of a public retirement system covered by this title.

(4) The board shall adopt rules to administer the provisions of this section."

Section 4. Purchasing power adjustment. Beginning with the July 2001 benefit, the board shall provide an ad hoc benefit increase to retired members and beneficiaries of the retirement system receiving a monthly retirement benefit. The ad hoc benefit increase must be calculated by the board

actuary and approved by the board. The benefit increase must be designed to bring the benefit recipient's current benefit up to a level estimated to be no less than 75% of the purchasing power of the original recipient's initial monthly benefit. Purchasing power must be calculated considering the date that the first benefit was paid to the original benefit recipient, applicable benefit increases since that date, and a comparison with the consumer price index for urban wage earners and workers, compiled by the bureau of labor statistics of the United States department of labor since the date the first benefit was paid to the original benefit recipient.

Section 5. Section 19-5-901, MCA, is amended to read:

"19-5-901. Guaranteed annual benefit adjustment. (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by ~~1.5%~~ 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a ~~1.5%~~ 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of ~~1.5%~~ 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a ~~1.5%~~ 3% annualized increase, then the benefit increase provided under this section must be 0%.

(c) If a benefit recipient is a contingent annuitant receiving an optional benefit upon the death of the original payee that occurred since the preceding January, the new recipient's monthly benefit must be increased to ~~1.5%~~ 3% more than the amount that the contingent annuitant would have received had the contingent annuitant received a benefit during the preceding January.

(3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made;

(b) the benefit recipient is not an active member of a public retirement system covered by this title; and

(c) the member or benefit recipient either:

(i) first became an active member on or after July 1, 1997; or

(ii) filed a voluntary, irrevocable election to be covered under this section. The election must be filed with the board prior to January 1, 1998.

(4) The board shall adopt rules to administer the provisions of this section."

Section 6. Election -- guaranteed annual benefit adjustment. (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a 3% annualized increase, then the benefit increase provided under this section must be 0%.

(3) A benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made; and

(b) the member either:

(i) first became an active member on or after July 1, 1997; or

(ii) filed a voluntary, irrevocable election to be covered under this section. The election:

(A) must be filed with the board prior to December 1, 2001; and

(B) requires an active member to pay an increased or revised contribution rate from January 1, 2002, forward.

(4) The board shall adopt rules to administer the provisions of this section.

(5) The decision of a member who elected to participate under 19-5-901 remains valid. The decision of a member who elected not to participate under 19-5-901 may be reversed under this section.

Section 7. Section 19-6-101, MCA, is amended to read:

"19-6-101. Definitions. Unless the context requires otherwise, the following definitions apply in this chapter:

(1) "Compensation" means remuneration paid for services to a member out of funds controlled by an employer before any pretax deductions allowed by the Internal Revenue Code have been made and exclusive of maintenance, allowances, and expenses.

(2) "Dependent child" means an unmarried child of a deceased retired member, who is:

(a) under 18 years of age; or

(b) under 24 years of age and attending an accredited postsecondary educational institution as a full-time student in anticipation of receiving a certificate or degree.

(3) "Final average salary" means the average monthly compensation received by a member for any 3 years of continuous service upon which contributions have been made or, in the event a member has not served 3 years, the total compensation earned divided by the number of months served. Lump-sum payments for severance pay, including payment for compensatory leave, sick leave, and annual leave, paid to an employee upon termination of service may be used in the calculation of a retirement benefit only to the extent that they are used to replace, on a month-for-month basis, the normal compensation for a month or months included in the calculation of the final average salary. A lump-sum payment may not be added to a single month's compensation.

(4) "Surviving spouse" means the spouse married to a retired member at the time of the retired member's death.

(5) "Survivor" means a surviving spouse or dependent child of a member."

Section 8. Section 19-6-710, MCA, is amended to read:

"19-6-710. Guaranteed annual benefit adjustment. (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by ~~1.5%~~ 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a ~~1.5%~~ 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of ~~1.5%~~ 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a ~~1.5%~~ 3% annualized increase, then the benefit increase provided under this section must be 0%.

(3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made;

(b) the benefit recipient is not an active member of a public retirement system covered by this title; and

(c) the member either:

(i) first became an active member on or after July 1, 1997; or

(ii) filed a voluntary, irrevocable election to be covered under this section. The election must be filed with the board prior to January 1, 1998, and requires an active member to pay an increased contribution rate from July 1, 1997, forward. A retired member or the member's survivor who is receiving a monthly

benefit before July 1, 1997, shall also file the voluntary, irrevocable election no later than January 1, 1998, to be covered under this section.

(4) The board shall adopt rules to administer the provisions of this section."

Section 9. Election -- guaranteed annual benefit adjustment. (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a 3% annualized increase, then the benefit increase provided under this section must be 0%.

(3) A benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made; and

(b) the member either:

(i) first became an active member on or after July 1, 1997; or

(ii) filed a voluntary, irrevocable election to be covered under this section. The election:

(A) must be filed with the board prior to December 1, 2001; and

(B) requires an active member to pay an increased or revised contribution rate from January 1, 2002, forward.

(4) The board shall adopt rules to administer the provisions of this section.

(5) The decision of a member who elected to participate under 19-6-710 remains valid. The decision of a member who elected not to participate under 19-6-710 may be reversed under this section.

Section 10. Section 19-7-101, MCA, is amended to read:

"19-7-101. Definitions. Unless the context requires otherwise, the following definitions apply in this chapter:

(1) "Compensation" means remuneration paid for services to a member out of funds controlled by an

employer before any pretax deductions allowed by the Internal Revenue Code are made and exclusive of maintenance, allowances, and expenses.

(2) "Final average salary" means the average monthly compensation received by a member for any 3 years of continuous service from which contributions were deducted or, in the event that a member has not served 3 years, the total compensation earned divided by the number of months served. Lump-sum payments for severance pay, including payment for compensatory leave, sick leave, and annual leave, paid to an employee upon termination of employment may be used in the calculation of a retirement benefit only to the extent that they are used to replace, on a month-for-month basis, the normal compensation for a month or months included in the calculation of the final average salary. A lump-sum payment may not be added to a single month's compensation.

(3) "Investigator" means a person who is employed as a criminal investigator or as a gambling investigator for the department of justice.

(4) "Sheriff" means any elected or appointed county sheriff or undersheriff or any appointed, lawfully trained, appropriately salaried, and regularly acting deputy sheriff. The board shall adopt rules incorporating both the peace officers standards and training council's current law enforcement training requirements and the legislatively authorized salary requirements as effective for deputy sheriffs who are eligible for membership in this retirement system."

Section 11. Section 19-7-711, MCA, is amended to read:

"19-7-711. Guaranteed annual benefit adjustment. (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by ~~1.5%~~ 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a ~~1.5%~~ 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of ~~1.5%~~ 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a ~~1.5%~~ 3% annualized increase, then the benefit increase provided under this section must be 0%.

(c) If a benefit recipient is a contingent annuitant receiving an optional benefit upon the death of the original payee that occurred since the preceding January, the new recipient's monthly benefit must be increased to ~~1.5%~~ 3% more than the amount that the contingent annuitant would have received had the contingent annuitant received a benefit during the preceding January.

(3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made; and

(b) the benefit recipient is not an active member of a public retirement system covered by this title.

(4) The board shall adopt rules to administer the provisions of this section."

Section 12. Section 19-8-101, MCA, is amended to read:

"19-8-101. Definitions. Unless the context requires otherwise, the following definitions apply in this chapter:

(1) "Compensation" means remuneration paid for services to a member out of funds controlled by an employer before any pretax deductions allowed by the Internal Revenue Code are made and exclusive of maintenance, allowances, and expenses.

(2) "Final average salary" means the average monthly compensation received by a member for any 3 years of continuous service upon which contributions were made or, in the event a member has not served 3 years, the total compensation earned divided by the number of months served. Lump-sum payments for severance pay, including payment for compensatory leave, sick leave, and annual leave, paid to an employee upon termination of employment may be used in the calculation of a retirement benefit only to the extent that they are used to replace, on a month-for-month basis, the normal compensation for a month or months included in the calculation of the final average salary. A lump-sum payment may not be added to a single month's compensation.

(3) "Game warden" means a state fish and game warden hired by the department of fish, wildlife, and parks and includes all warden supervisory personnel whose salaries or compensation is paid out of the department of fish, wildlife, and parks money.

(4) "Motor carrier officer" means an employee of the department of transportation appointed as a peace officer pursuant to 61-12-201.

(5) "Peace officer" or "state peace officer" means a person who by virtue of the person's employment with the state is vested by law with a duty to maintain public order or make arrests for offenses while acting within the scope of the person's authority or who is charged with specific law enforcement responsibilities on behalf of the state."

Section 13. Section 19-8-1105, MCA, is amended to read:

"19-8-1105. Guaranteed annual benefit adjustment. (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by ~~1.5%~~ 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a ~~1.5%~~ 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of ~~1.5%~~ 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a ~~1.5%~~ 3% annualized increase, then the benefit increase provided under this section must be 0%.

(c) If a benefit recipient is a contingent annuitant receiving an optional benefit upon the death of the original payee that occurred since the preceding January, the new recipient's monthly benefit must be increased to ~~1.5%~~ 3% more than the amount that the contingent annuitant would have received had the contingent annuitant received a benefit during the preceding January.

(3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made; and

(b) the benefit recipient is not an active member of a public retirement system covered by this title.

(4) The board shall adopt rules to administer the provisions of this section."

Section 14. Section 19-9-1009, MCA, is amended to read:

"19-9-1009. Guaranteed annual benefit adjustment. (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by ~~1.5%~~ 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a ~~1.5%~~ 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of ~~1.5%~~ 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a ~~1.5%~~ 3% annualized increase, then the benefit increase provided under this section must be 0%.

(3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made;

(b) the benefit recipient is not an active member of a public retirement system covered by this title; and

(c) the member either:

(i) first became an active member on or after July 1, 1997; or

(ii) filed a voluntary, irrevocable election to be covered under this section. The election must be filed with the board prior to January 1, 1998, and requires an active member to pay an increased contribution rate from July 1, 1997, forward. A retired member or the member's survivor who is receiving a monthly benefit before July 1, 1997, shall also file the voluntary, irrevocable election no later than January 1, 1998, to be covered under this section.

(4) The board shall adopt rules to administer the provisions of this section."

Section 15. Section 19-9-1010, MCA, is amended to read:

"19-9-1010. Election -- guaranteed annual benefit adjustment. (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by ~~1.5%~~ 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a ~~1.5%~~ 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of ~~1.5%~~ 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a ~~1.5%~~ 3% annualized increase, then the benefit increase provided under this section must be 0%.

(3) A benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made; and

(b) the member either:

(i) first became an active member on or after July 1, 1997; or

(ii) filed a voluntary, irrevocable election to be covered under this section. The election:

(A) must be filed with the board prior to December 1, 1999; and

(B) requires an active member to pay an increased or revised contribution rate from January 1, 2000, forward.

(4) The board shall adopt rules to administer the provisions of this section.

(5) The decision of a member who elected to participate under 19-9-1009 remains valid. The decision of a member who elected not to participate under 19-9-1009 may be reversed under this section."

Section 16. Election -- guaranteed annual benefit adjustment. (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a 3%

annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a 3% annualized increase, then the benefit increase provided under this section must be 0%.

(3) A benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made; and

(b) the member either:

(i) first became an active member on or after July 1, 1997; or

(ii) filed a voluntary, irrevocable election to be covered under this section. The election:

(A) must be filed with the board prior to December 1, 2001; and

(B) requires an active member to pay an increased or revised contribution rate from January 1, 2002, forward.

(4) The board shall adopt rules to administer the provisions of this section.

(5) The decision of a member who elected to participate under 19-9-1009 or 19-9-1010 remains valid. The decision of a member who elected not to participate under 19-9-1009 and 19-9-1010 may be reversed under this section.

Section 17. Section 19-13-1010, MCA, is amended to read:

"19-13-1010. Guaranteed annual benefit adjustment. (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by ~~1.5%~~ 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a ~~1.5%~~ 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of ~~1.5%~~ 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a ~~1.5%~~ 3% annualized increase, then the benefit increase provided under this section must be 0%.

(3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made;

(b) the benefit recipient is not an active member of a public retirement system covered by this title; and

(c) the member either:

(i) first became an active member on or after July 1, 1997; or

(ii) filed a voluntary, irrevocable election to be covered under this section. The election must be filed with the board prior to January 1, 1998, and requires an active member to pay an increased contribution rate from July 1, 1997, forward. A retired member or the member's survivor who is receiving a monthly benefit before July 1, 1997, shall also file the voluntary, irrevocable election no later than January 1, 1998, to be covered under this section.

(4) The board shall adopt rules to administer the provisions of this section."

Section 18. Election -- guaranteed annual benefit adjustment. (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a 3% annualized increase, then the benefit increase provided under this section must be 0%.

(3) A benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made; and

(b) the member either:

(i) first became an active member on or after July 1, 1997; or

(ii) filed a voluntary, irrevocable election to be covered under this section. The election:

(A) must be filed with the board prior to December 1, 2001; and

(B) requires an active member to pay an increased or revised contribution rate from January 1, 2002, forward.

(4) The board shall adopt rules to administer the provisions of this section.

(5) The decision of a member who elected to participate under 19-13-1010 remains valid. The decision of a member who elected not to participate under 19-13-1010 may be reversed under this section.

Section 19. Section 19-20-622, MCA, is amended to read:

"19-20-622. Minimum monthly benefit allowance. (1) A retired member of the retirement system who on July 1, ~~1999~~ 2001, is receiving a service or disability retirement allowance that is less than ~~$500~~ $600 is eligible to receive a minimum monthly benefit allowance of ~~$500~~ $600 if the member at the time of retirement had 25 years or more of creditable service.

(2) A beneficiary or beneficiaries of a deceased retired member who on July 1, ~~1999~~ 2001, are receiving an optional service, disability, or survivorship allowance that when added together are less than ~~$500~~ $600 are eligible to receive a proportional share of a minimum monthly benefit allowance of ~~$500~~ $600 if the retired member at the time of retirement had 25 years or more of creditable service.

(3) If on July 1, ~~1999~~ 2001, multiple beneficiaries are receiving benefits under a retired member's account, the minimum monthly benefit must be divided in the same proportion as was the initial service, disability, or survivorship allowance."

Section 20. Section 19-20-719, MCA, is amended to read:

"19-20-719. Guaranteed annual benefit adjustment -- rulemaking. (1) ~~On~~ Subject to subsection (3), on January 1 of each year, the retirement allowance payable to each recipient who is eligible under subsection (2) must be increased by 1.5%.

(2) A benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if the retiree's most recent retirement effective date is at least 36 months prior to January 1 of the year in which the adjustment is to be made.

(3) On January 1, 2002, and January 1 of each year following the system's biennial valuation, the board may increase the annual benefit adjustment provided in subsection (1) until a maximum of 3% is guaranteed if:

(a) the period required to amortize the system's actuarial unfunded liability, as determined by the most recent biennial valuation, adjusted for any benefit enhancement enacted by the legislature since the most recent biennial valuation, is less than 25 years;

(b) sufficient funds are available to increase the guaranteed annual benefit adjustment by at least 0.1%; and

(c) the increase granted by the board would not cause the amortization period, as of the most recent valuation, to exceed 25 years.

(4) The board shall adopt rules to administer the provisions of this section."

Section 21. Codification instruction. (1) [Section 4] is intended to be codified as an integral part of Title 19, chapter 3, part 16, and the provisions of Title 19, chapter 3, part 16, apply to [section 4].

(2) [Section 6] is intended to be codified as an integral part of Title 19, chapter 5, part 9, and the provisions of Title 19, chapter 5, part 9, apply to [section 6].

(3) [Section 9] is intended to be codified as an integral part of Title 19, chapter 6, part 7, and the provisions of Title 19, chapter 6, part 7, apply to [section 9].

(4) [Section 16] is intended to be codified as an integral part of Title 19, chapter 9, part 10, and the provisions of Title 19, chapter 9, part 10, apply to [section 16].

(5) [Section 18] is intended to be codified as an integral part of Title 19, chapter 13, part 10, and the provisions of Title 19, chapter 13, part 10, apply to [section 18].

Section 22. Effective date. [This act] is effective on passage and approval.

- END -

Latest Version of HB 294 *(HB0294.ENR)*
Processed for the Web on March 14, 2001 (1:31PM)

New language in a bill appears underlined, deleted material appears stricken.

Sponsor names are handwritten on introduced bills, hence do not appear on the bill until it is reprinted. See the status of this bill for the bill's primary sponsor.

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Prepared by Montana Legislative Services

(406)444-3064

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
57th LEGISLATURE - REGULAR SESSION
COMMITTEE ON STATE ADMINISTRATION

Call to Order: By **CHAIRMAN ALLAN WALTERS**, on January 31, 2001 at 8:00 A.M., in Room 455 Capitol.

ROLL CALL

Members Present:

Rep. Allan Walters, Chairman (R)
Rep. Debby Barrett, Vice Chairman (R)
Rep. Tom Dell, Vice Chairman (D)
Rep. Norma Bixby (D)
Rep. Dee Brown (R)
Rep. Donald L. Hedges (R)
Rep. Hal Jacobson (D)
Rep. Larry Jent (D)
Rep. Michelle Lee (D)
Rep. Larry Lehman (R)
Rep. Ralph Lenhart (D)
Rep. Gay Ann Masolo (R)
Rep. Douglas Mood (R)
Rep. Alan Olson (R)
Rep. Holly Raser (D)
Rep. Rick Ripley (R)
Rep. Clarice Schrumpf (R)
Rep. Frank Smith (D)

Members Excused: None.

Members Absent: None.

Staff Present: Sheri Heffelfinger, Legislative Branch
Ruthie Padilla, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 294, 1/24/2001
Executive Action: HB 326; HB 370; HB 281; SB 37; HB 372

HEARING ON HB 294

Sponsor: REPRESENTATIVE DAVE LEWIS, HD 55, HELENA

Proponents:
Dave Senn, Teachers Retirement System
Mike O'Connor, Montana Public Employees Retirement Association (MPEA)
Tom Bilodeau, MEA-MFT
Stephen Kologi, Association of Montana Retired Public Employees
Tom Schnieder, Montana Public Employees Association
Representative Hal Jacobson, HD 54, Helena
Diane Huber, Montana Retired Teachers School Personnel Association
Charlotte Thomas, Montana Retired Teachers School Personnel Association
Bill Eiker, Retired Teachers Association
Natalie Fitzpatrick, Montan Retired Teachers School Personnel Association
Bob Vogel, Montana School Board Association
Wayne Buchanan, Board of Public Education
Jim Smith, Montana Sheriffs and Piece Officers' Association
Don Walters, Retired Teacher
Bob Palvourch, Firefighters Unified Retirement System
Jerry Williams, Montana Police Protective Association
Robert Martinka, Citizen
Terry Teichrou, Public Employees Retirement Board
Wilard Kramlich, Retired Highway Department
Vic Duran, Montana Retired Firefighters Association
Bud Tate, Retired Firefighter
Bea Steen, Association of Montana Retired Public Employees (AMPRE)
Jim Chaestnachet, Association of Montana Retired Public Employees (AMPRE)
Troy McGee, Montana Chiefs Police Association
Vale Taliaferro, Montana Association of Retired Public Employees
Charles Stohl, Citizen

Warren Brass, Association of Montana Retired Public Employees
Earl Casagranda, Retired Firefighter
Julie Ippolito, Montana Retired Education Assoication
Howard Lowson, Retired Teacher, Butte
Irene Theures, Montana Retired Teachers School Personnel Association
Alve Thomas, Montana Retired Teachers School Personnel Association
Bob Bergron, Montana Retired Teachers School Personnel Association
Pat Connors, Montana Retired Teachers School Personnel Association
Earl Olson, Montana Retired Teachers School Personnel Association
Terry Minow, MEA-MFT
Andrew Arnala, Montana Retired Teachers School Personnel Association
Mark Taylor, AMHP

Opponents: None

Opening Statement by Sponsor:

{Tape : 1; Side : A; Approx. Time Counter : 0}

REPRESENTATIVE DAVE LEWIS, HD 55, HELENA, stated we have a problem facing a lot of our retirees at the present time. The state has not been generous to the folks that have retired over the past 20-30 years. The average PERS retiree benefit is currently $600.00 a month with an increase of $75.00 a month each year in health insurance for the next two years. The number one issue of the bill is to maintain the purchasing power for the public employee retirees. It will also increase the minimum benefit for teachers' retirees to $600.00 a month. It requires a guaranteed annual benefit adjustment for the public employees retirement system of 3% per year and reduces the waiting period for that benefit to one year. The bill also states that employees who receive lump sum benefits, will not be able to use that lump sum benefit to improve their average salary for calculation of retirement. The cost of these benefit increases will be absorbed within the funds. PERS is completely funded and vested.

Proponents' Testimony:

{Tape : 1; Side : A; Approx. Time Counter : 7.3}

Dave Senn, Teachers Retirement System, stated this will grant the Teachers Retirement Board the option to increase benefit as funding is available. As there is money in the system this can be done up to 25 years.

Mike O'Connor, Montana Public Employees Retirement Association (MPEA) stated the board is in support of this piece of legislation. It effects 47,000 members of the systems they administer and will address the older retirees. He submitted and discussed results of actuarial valuation - 3% GABA. **EXHIBIT(sth25a01)**

Tom Bilodeau, MEA-MFT, submitted written testimony, information, and graphs. **EXHIBIT(sth25a02)**

Stephen Kologi, Association of Montana Retired Public Employees, stated the organization is 100% in support of the bill.

Tom Schnieder, Montana Public Employees Association, stated the association represents 7,000 active and retired employees from all areas of the state. All of the people are in full support of the bill. They have spent the last two years working with an interim committee that was very concerned about health insurance, not only for state, university, and school district employees, but for the private sector as well. This proposal is the only piece of legislation to have come out of the committee that dealt with individuals already retired. It is needed to help the people in this state.

Representative Hal Jacobson, HD 54, Helena, stated he has met many of these people from going door to door over the years and they are people who have dedicated their lives to public service. This piece of legislation is nothing more than a piece of legislation that helps to thank them for all the great years of service that they have rendered to state government and to our schools. He strongly urged the support of this bill.

Diane Huber, Montana Retired Teachers School Personnel Association, submitted written testimony. **EXHIBIT(sth25a03)**

Charlotte Thomas, Montana Retired Teachers School Personnel Association, submitted written testimony. **EXHIBIT(sth25a04)**

Bill Eiker, Retired Teachers Association, submitted written testimony. **EXHIBIT(sth25a05)**

Natalie Fitzpatrick, Montana Retired Teachers School Personnel Association, stated the cost of insurance and medications are increasing much more rapidly than any increase in pension benefits received and is just a matter of fairness. She felt it may be along time before they receive a 3% increase, because they will only receive increases as they are available through the funding on the investment income. It does not cost the tax payers of the state a single penny to do this and hopes for the support of this bill.

Bob Vogel, Montana School Board Association, stated trustees want to see dedicated employees who have put in 25-30 years or more of service to students and school districts, be able to make important decision, like that of retirement.

Wayne Buchanan, Board of Public Education said one of the good features of the bill has to do with the crisis of teacher recruitment and retention in the State of Montana. The shortage of teachers here is very serious and very real and this bill will help with that situation. Due to teachers low initial pay, their retirements are generally low as well. If this legislation passes with the increase, they can then say the teachers retirement benefits are good. This is something the state can do for teachers and they hope for the passage of this bill.

Jim Smith, Montana Sheriffs and Piece Officers' Association, stated the Sheriffs Retirement System is one of the safety retirement systems in place. It is a solid system that can absorb the 3% increase being proposed today.

Don Walters, Retired Teacher, stated he retired 10 years ago, after 34 years of teaching. Since that time he has been doing part-time jobs to survive. He feels it cannot be done on the retirement they are receiving now and begs the committee's support.

Bob Palvourch, Firefighters Unified Retirement System, stated the firefighters go out and save homes and put their lives on the line all the time with a disaster or a fire. The money is available in the fund, and feel they deserve a do pass motion on this bill.

Jerry Williams, Montana Police Protective Association, stated on behalf of their active and retired officers, they urge the support of this bill.

Robert Martinka, Citizen, submitted written testimony. **EXHIBIT(sth25a06)**

Terry Teichrou, Public Employees Retirement Board, commented, he encourages the support of the bill.

Wilard Kramlich, Retired Highway Department, asked for the support of the bill for the following reasons: The year 2000 medical insurance premiums for a retiree and spouse is $335.60 a month. Year 2001 premiums for the same insurance coverage will be $380.60 a month, an increase of $45.00. A 1.5% GABA increase amounts to $17.92, a net loss of $27.08. A 3% increase would only be $35.83. Blue Cross and Blue Shield were asking for the same $45.00 increase for the calendar year of 2002 and this is not the only inflation or increase that will affect retirees in the next two years. With this information, he asks for the committees' support.

Vic Duran, Montana Retired Firefighters Association, commented, the bill is well supported and they want to show their support as well to this bill.

Bud Tate, Retired Firefighter, said he is in full support of the bill. He retired in 1983 and the last GABA increase he received was the first increase he has received since 1983.

Questions from Committee Members and Responses:

{Tape : 1; Side : B; Approx. Time Counter : 0}

REPRESENTATIVE BROWN stated it was her understanding that individuals who received a lump some of comp time at retirement, it would not be included in the calculation of their retirement benefits. **REPRESENTATIVE LEWIS** replied, it does state that on page 9, line 18.

REPRESENTATIVE DELL stated it's nice to have a bill with no fiscal impact, However, we know we are still ultimately responsible for the integrity and viability of the pension funds. We don't want to see a hit to the general fund, but yet we certainly don't want to see a hit to the pension funds, in terms of their unfunded liabilities going too far out into the future. We have to ensure when doubling the GABA, we don't put the pensions at risk. He then asked if there were any concerns with doubling the GABA from 1.5% to 3%. **Mike O'Connor** replied, in years past there has been an unfunded liability and the concern was expanding that out and being able to afford any benefit increases. Today, we do not have an unfunded liability, and the bill does not create an unfunded liability. Because of that, his

comfort level with this is very high. The investment professionals who invest the money do very well and feel they will continue to do the best.

REPRESENTATIVE LEHMAN stated he has heard the statistic that possibly 50% of the state teachers are going to be retiring in the next five years. This would have a tremendous affect on whether or not this increase is actually going to take place for those individuals in the teachers retirement. **Dave Senn** said, if 50% of the teachers are going to retire over the next year, they are not planning for it and are not staffed for it, and would be extremely surprised if this were to take place. For years, they have seen approximately 250-300 people retire each year. Currently it is about 500 as the baby boomers are starting to move into retirement. We expect that amount to increase to about 700 per year. There are about 18,000 teachers in the state of Montana, and is unlikely they will see 50% of the teachers retire in the next few years. **REPRESENTATIVE LEHMAN**, clarified, there are 50% of teachers eligible to retire, not 50% that are going to retire. **Dave Senn** replied, there are not 50% eligible. Even today, 30% are eligible for retirement. Eligibility is extended to anyone of age 50 with a minimum of 5 years of service. The 30% is eligibility for full retirement, which are individuals with at least 25 years in the system.

REPRESENTATIVE MOOD asked what total effect the stock market had on the retirement assets in the year 2000. **Mike O'Connor** replied, in the board of investments, it was a million dollar book value and the end of the year market value was 1.6. **REPRESENTATIVE MOOD** clarified, he wanted to know what was the fair market value at the beginning of the year 2000 and what was the fair market value at the end of the year 2000. **Mike O'Connor** said he did not know the answer to that, but he could get that answer.

REPRESENTATIVE MOOD asked **David Senn** if he could provide the committee with a spreadsheet on the teachers retirement system, somewhat similar to the spreadsheet they received on PERS retirement. **David Senn**, replied, he can presently give him that information. If they receive a 1.9% increase in the GABA on January 1, 2002, the unfunded liability would be 106 million dollars. Over time they will need to collect a lot of money to pay that. Currently, the GABA is 1.5%, and if we go to 1.9%, that is about a 30,000.00 per month increase in benefits being paid out every month. He then stated he also has the information on the unfunded liability for the teachers retirement system at the beginning of the year and at the end of the year. The total investment at fair value on July 1, 1999 was $2.1 billion and on

July 1, 2000, it was $2.3 billion. This was about a $200 million dollar increase in fiscal year 2000.

REPRESENTATIVE DELL stated, he understands the surplus goes from 569 million down to 300 million. He wondered if the surplus would diminish over the long term. **Mike O'Connor** said he asked the actuary that question and they said it would not diminish because you are receiving an eight percent return on that money so it will grow.

Closing by Sponsor:

{Tape : 2; Side : A; Approx. Time Counter : 8.1}

REPRESENTATIVE LEWIS stated he has the board of investments annual report, which may answer some questions the committee may have. He is a retired public employee and this will provide some increase in his benefits (about a tank of gas a month).

EXECUTIVE ACTION ON HB 326

{Tape : 2; Side : A; Approx. Time Counter : 11.1}

Motion: **REP. DELL** moved that **HB 326 DO PASS.**

Discussion:

REPRESENTATIVE DELL gave some clarification for **REPRESENTATIVE GALVIN-HALCRO.** **EXHIBIT(sth25a07)**

REPRESENTATIVE JENT stated he does not like permissive election procedures, which in state-wide elections are solely up to the County Clerks and Recording, therefore, he is going to vote no on the bill.

REPRESENTATIVE BROWN said she feels the same way as **REPRESENTATIVE JENT** and feels we should not do "either" or "or". If they are going to be cleaning up language, it should be for everyone or no one.

REPRESENTATIVE OLSON stated, he also feels the ballots should be standardized.

Montana Public Employee Retirement Administration
Results of Actuarial Valuation - 3% GABA
HB 294

EXHIBIT 1
DATE 1/31/01
HB 294

	2,000 Actuarial Valuation	Results Including Proposal	Change due to Proposal
Public Employees' Retirement System			
Actuarial Balance Sheet ($Millions)			
Value of Projected Benefits	$2,949.0	$3,286.3	$408.9
Value of Future Normal Costs	675.6	743.8	90.5
Actuarial Liability	$2,273.4	$2,542.5	$318.4
Actuarial Value of Assets	2,843.3	2,843.3	0.0
Unfunded Actuarial Liability	($569.9)	($300.8)	$318.4
Normal Cost Rate (Percent of Earned Salaries)	10.69%	11.76%	1.07%
Municipal Police Officers' Retirement System			
Actuarial Balance Sheet ($Millions)			
Value of Projected Benefits	$227.0	$253.3	$26.3
Value of Future Normal Costs	45.9	52.1	6.2
Actuarial Liability	$181.1	$201.2	$20.1
Actuarial Value of Assets	129.8	129.8	0.0
Unfunded Actuarial Liability	$51.3	$71.4	$20.1
Normal Cost Rate (Percent of Earned Salaries)	23.52%	26.72%	3.20%
Revenue Required to Fund this Proposal (Percentage of Members' Salaries)			
Revenue Available	52.70%	52.70%	
Normal Cost Rate	23.52%	26.72%	
Available for Amortization	29.18%	25.98%	
Years to Amortize	9.90	17.34	
Game Wardens' and Peace Officers' Reritement System			
Actuarial Balance Sheet ($Millions)			
Value of Projected Benefits	$47.8	$53.2	$5.4
Value of Future Normal Costs	23.9	26.3	2.4
Actuarial Liability	$23.9	$26.9	$3.0
Actuarial Value of Assets	33.0	33.0	0.0
Unfunded Actuarial Liability	($9.1)	($6.1)	$3.0
Normal Cost Rate (Percent of Earned Salaries)	13.91%	15.31%	1.40%

Montana Public Employee Retirement Administration
Results of Actuarial Valuation - 3% GABA
HB 294
Page 2

	2,000 Actuarial Valuation	Results Including Proposal	Change due to Proposal
Sheriffs' Retirement System			
Actuarial Balance Sheet ($Millions)			
Value of Projected Benefits	$118.9	$132.5	$13.6
Value of Future Normal Costs	31.1	34.2	3.1
Actuarial Liability	$87.8	$98.3	$10.5
Actuarial Value of Assets	126.3	126.3	0.0
Unfunded Actuarial Liability	($38.5)	($28.0)	$10.5
Normal Cost Rate (Percent of Earned Salaries)	16.63%	18.31%	1.68%
Judges' Retirement System			
Actuarial Balance Sheet ($Millions)			
Value of Projected Benefits	$34.8	$35.0	$0.2
Value of Future Normal Costs	7.4	7.5	0.1
Actuarial Liability	$27.4	$27.5	$0.1
Actuarial Value of Assets	42.0	42.0	0.0
Unfunded Actuarial Liability	($14.6)	($14.5)	$0.1
Normal Cost Rate (Percent of Earned Salaries)	24.46%	24.73%	0.27%
Highway Patrol Officers' Retirement System			
Actuarial Balance Sheet ($Millions)			
Value of Projected Benefits	$87.7	$97.7	$10.0
Value of Future Normal Costs	11.3	12.4	1.1
Actuarial Liability	$76.4	$85.3	$8.9
Actuarial Value of Assets	77.8	77.8	0.0
Unfunded Actuarial Liability	($1.4)	$7.5	$8.9
Normal Cost Rate (Percent of Earned Salaries)	17.72%	19.41%	1.69%
Revenue Required to Fund this Proposal (Percentage of Members' Salaries)			
Revenue Available	45.38%	45.38%	
Normal Cost Rate	17.72%	19.41%	
Available for Amortization	27.66%	25.97%	
Years to Amortize		4.56	

Montana Public Employee Retirement Administration
Results of Actuarial Valuation - 3% GABA
HB 294
Page 3

Firefighters' Unified Retiement System

Actuarial Balance Sheet ($Millions)			
Value of Projected Benefits	$199.6	$223.1	$23.5
Value of Future Normal Costs	37.3	42.3	5.0
Actuarial Liability	$162.3	$180.8	$18.5
Actuarial Value of Assets	123.5	123.5	0.0
Unfunded Actuarial Liability	$38.8	$57.3	$18.5
Normal Cost Rate (Percent of Earned Salaries)	22.44%	25.45%	3.01%

Revenue Required to Fund this Proposal (Percentage of Members' Salaries)

Revenue Available	57.49%	57.49%
Normal Cost Rate	22.44%	25.45%
Available for Amortization	35.05%	32.04%
Years to Amortize	7.71	13.62

MEA-MFT
Public Schools, Public Service

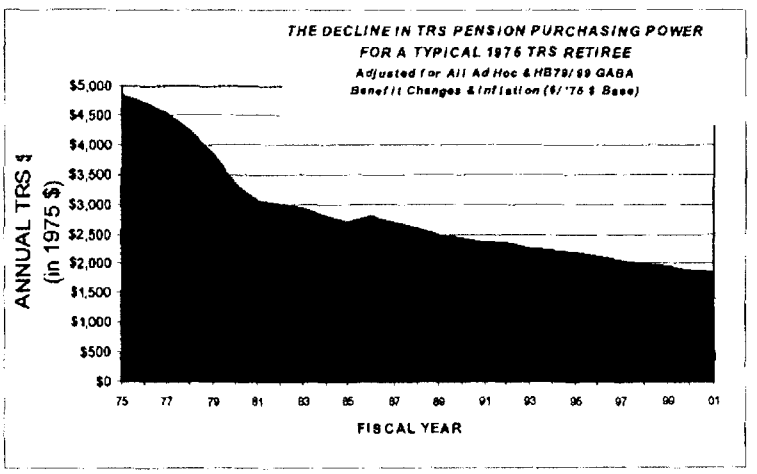
EXHIBIT 2
DATE 1/31/01
HB 294

GUARANTEED ANNUAL BENEFIT ADJUSTMENT
HB294 – GABA!

Tom Bilodeau, MEA-MFT Research Director
House State Administration Cmte – January 31, 2001

Since 1975, inflation has reduced the buying-power of a typical 1975 Teacher Retirement System (TRS) retiree's pension by nearly 60%. This decline in pension purchasing power has occurred despite 9 "ad-hoc" pension adjustments and enactment of a +1.5% GABA for TRS benefits in 1999. Only once since 1975 (FY86) did that year's ad-hoc or GABA adjustment match or exceed that single year's annual cost of inflation.

In simple fact, after a career's worth of service to the people of Montana, a public retiree's first TRS pension check was his/her largest; thereafter every pension dollar has been devalued (almost without check) by the ravages of inflation. The situation was made worse following the legislature's imposition of state income taxation on pension benefits since 1993. (In FY01, TRS pension taxation generates $3+ million in "new/additional" revenue for the State.)



The erosion of pension buying-power is a serious, obvious and continuing problem with Montana's TRS retirement program. And it's a problem that has been acknowledged by the legislature since the early 1980s. With adoption of the +1.5% PERS GABA in 1997 and +1.5% for TRS in 1999, Montana took important first steps toward addressing this problem on an on-going and fiscally sound basis.

Today's GABA proposal – HB294 sponsored by Representative Dave Lewis – takes Montana another "big step" toward assuring that Montana's public pensions provide for the income replacement needs of both current retirees and of today's active workforce – the retirees of the future. HB294's +3% GABA can be accomplished and fully paid for without any increases in taxes or fees by anyone, either now or in the future. And, with all HB294 funding coming from the prudent management of PERS & TRS pension assets, a 3% GABA can be achieved without cost to the State general fund.

MEA-MFT and the MEA-MFT-Retired program, along with MRT/SPA, the TRS and TRS Boards, all affected public employee unions and retiree organizations and others urge enactment of Representative Dave Lewis' 3% GABA/HB294 by the 2001 Legislature.

HB294 – a 3% GABA. It's the right thing to do!
It's the thing Montana can do NOW !

1232 East Sixth Ave., Helena, MT 59601 ▪ TEL 406/442-4250 or 800/398-0826 FAX 406/443-5081 www.mea-mft.org

HB294 BRIEFING NOTES – THE 2001 GABA PROPOSAL

- Providing some form of cost-of-living or "guaranteed annual benefit adjustment" (GABA) for all of Montana's public employee pension programs has been a longtime objective of MEA-MFT and the MEA-MFT Retired Program.

- A +1.5% GABA was enacted for PERS and six other public employee pension plans administered by the Public Employee Retirement Department (PERD) in 1977.

- The Teachers' Retirement System (TRS) was provided a +1.5% GABA in 1999. The 1999 TRS GABA also established a $500 month "minimum benefit" for all TRS retirees (or their beneficiaries) so long as the retiree's benefit was based on 25+ years of TRS credited service.

- The current +1.5% GABA has a 3 year "wait period" – the GABA adjustment doesn't begin until 3 years following the date of retirement. (SB89/2001 would reduce the "wait-period" for the PERS GABA to 1 year.)

- A +1.5% GABA has been described (by former State Senator and now Secretary of State Bob Brown) as a "diet COLA" – it "makes-up" for less than ½ of the average annual rate of inflation over the last 25 (or 80) years. A +1.5% GABA is less of a guaranteed pension benefit adjustment than currently afforded to a majority of public retirees in other states.

- <u>The 2001 GABA proposal – HB294 sponsored by Governor Racicot's budget director Dave Lewis (R-Helena) – immediately increases GABA for PERS and PERD administered pensions to 3% and authorizes the TRS board to incrementally increase the TRS GABA to 3% over time as TRS assets permit.</u>

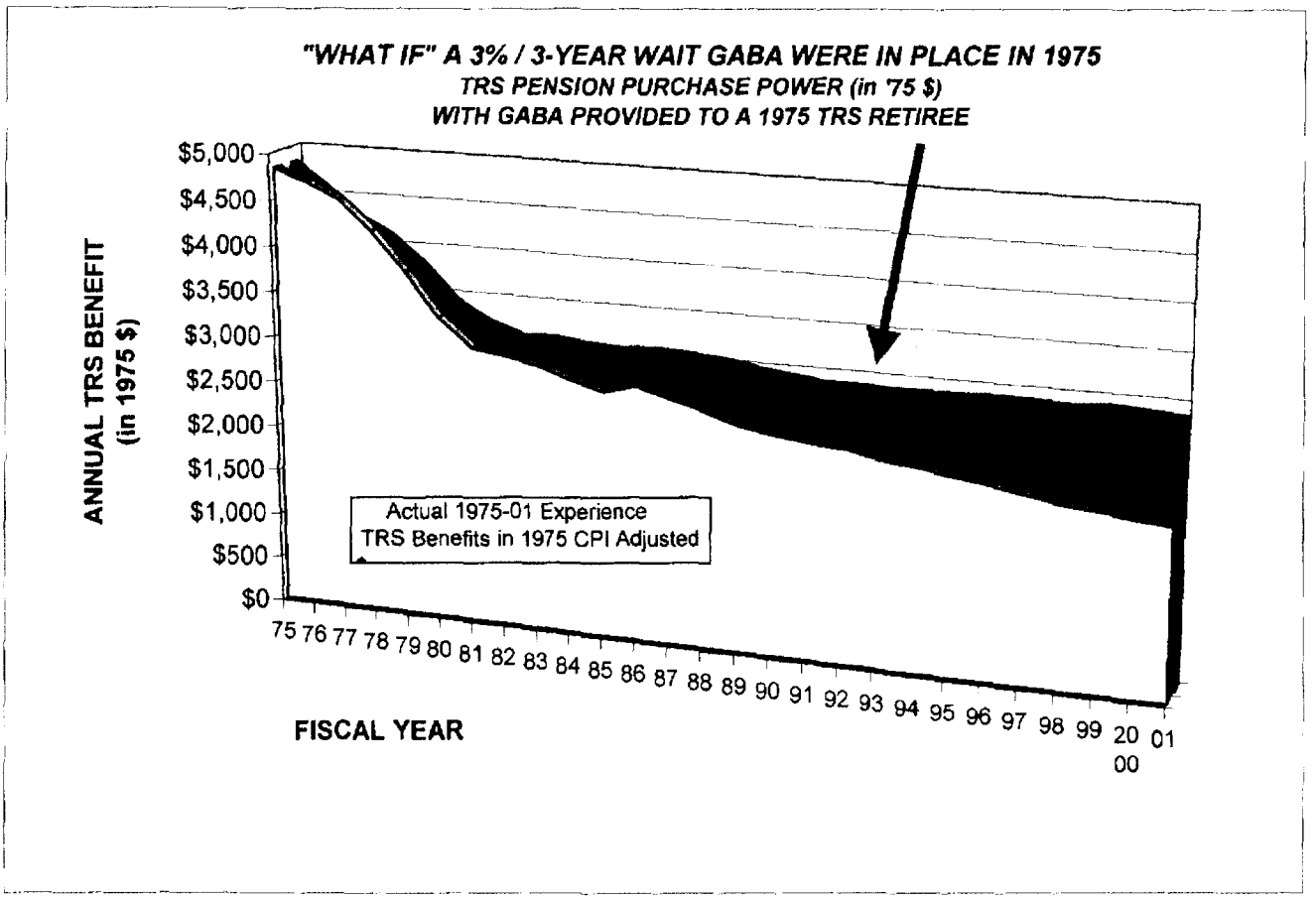
- HB294 is entirely funded by the assets of the various PERS and TRS pension funds. Like a badly needed home improvement loan, current PERS assets can extend the amortization period of the PERS fund to a still actuarially sound period of slightly less than 25 years and pay for an immediate 3% PERS GABA.

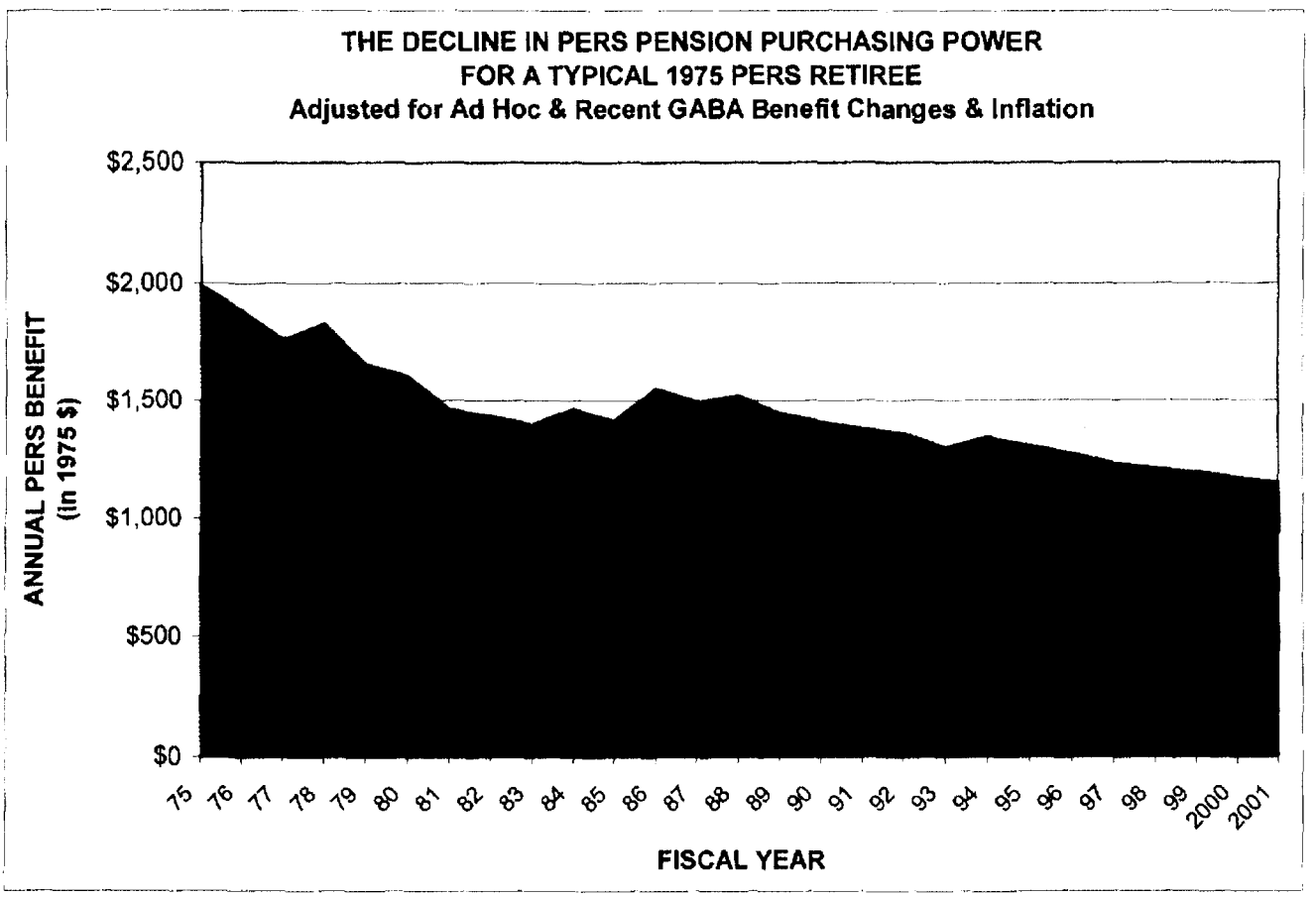
- TRS assets can be extended to 25 years and pay for a +.44% incremental increase in GABA beginning next year (from +1.5% to +1.94%) while maintaining the TRS amortization period at less than 25 years.

- HB294 then authorizes the TRS board to apply future TRS assets (as determined by the ordinary TRS biennial financial evaluations) to incrementally raise the TRS GABA to 3% over time.

- HB294 also establishes a partial inflation protected "floor benefit" for all PERS and PERD administered pension programs and raises the TRS "minimum benefit" to $600 per month for TRS retiree's having 25+ years of credited TRS service.

- <u>HB 294 has "zero cost" for taxpayers and the state general fund – and HB294 does not increase public employer or employee contributions to the pension programs</u>


"WHAT IF" A 3% / 3-YEAR WAIT GABA WERE IN PLACE IN 1975
TRS PENSION PURCHASE POWER (in '75 $)
WITH GABA PROVIDED TO A 1975 TRS RETIREE
ANNUAL TRS BENEFIT (in 1975 $)
$5,000
$4,500
$4,000
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
Actual 1975-01 Experience
TRS Benefits in 1975 CPI Adjusted
75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 20 00 01
FISCAL YEAR


THE DECLINE IN PERS PENSION PURCHASING POWER
FOR A TYPICAL 1975 PERS RETIREE
Adjusted for Ad Hoc & Recent GABA Benefit Changes & Inflation
ANNUAL PERS BENEFIT (in 1975 $)
$2,500
$2,000
$1,500
$1,000
$500
$0
75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 2000 2001
FISCAL YEAR

MEA-MFT

TRS BENEFITS, AD-HOC ADJUSTMENTS & INFLATION
IMPACT ON AN "AVERAGE" 1975 TRS RETIREE WITH 25 YRS SERVICE

JAN.2001

YEAR	AVERAGE FY'75 RETIREE BENEFIT $	AD HOC BENEFIT ADJUSTMENT	**ANNUAL BENEFIT WITH AD HOC $**	**% CHANGE ANNUAL BENEFIT**	— INFLATION — % CPI-U	1975 $ PURCHASE POWER	YEAR	**INFLATION ADJUSTED BENEFIT $ IN 1975 $**	ANNUAL $ LOST TO INFLATION	TOTAL $ LOST TO INFLATION	*"WHAT IF" A 3% GABA WITH 3YR WAIT WERE IN PLACE IN 1975* *Current $*	*CPI $*	*ANNUAL $ LOST TO INFLATION*	*TOTAL $ LOST TO INFLATION*
1974-75	$4,832	BASE	**$4,832**	**BASE**	BASE	BASE	*75*	**$4,832**	BASE	—	*4,832*	*4,832*	*BASE*	—
1975-76	"	FORMULA (+$145)	**$4,977**	**3.00%**	5.8	0.947	*76*	**$4,713**	($119)		*4,832*	*4,576*	*($256)*	
1976-77	"	FORMULA (+$149)	**$5,126**	**3.00%**	6.5	0.886	*77*	**$4,542**	($290)		*4,832*	*4,281*	*($551)*	
1977-78	"	0	**$5,126**	**0.00%**	7.6	0.825	*78*	**$4,229**	($603)		*4,977*	*4,106*	*($726)*	
1978-79	"	0	**$5,126**	**0.00%**	11.3	0.744	*79*	**$3,814**	($1,018)		*5,126*	*3,814*	*($1,018)*	
1979-80	"	0	**$5,126**	**0.00%**	13.5	0.651	*80*	**$3,337**	($1,495)		*5,280*	*3,437*	*($1,395)*	
1980-81	"	0	**$5,126**	**0.00%**	10.3	0.594	*81*	**$3,045**	($1,787)		*5,438*	*3,230*	*($1,602)*	
1981-82	"	FORMULA (+$262)	**$5,388**	**5.11%**	6.2	0.555	*82*	**$2,990**	($1,842)		*5,602*	*3,109*	*($1,723)*	
1982-83	"	0	**$5,388**	**0.00%**	3.2	0.541	*83*	**$2,915**	($1,917)		*5,770*	*3,121*	*($1,711)*	
1983-84	"	0	**$5,388**	**0.00%**	4.3	0.519	*84*	**$2,797**	($2,035)		*5,943*	*3,084*	*($1,748)*	
1984-85	"	0	**$5,388**	**0.00%**	3.6	0.501	*85*	**$2,700**	($2,132)		*6,121*	*3,067*	*($1,765)*	
1985-86	"	FORMULA (+$300)	**$5,688**	**5.57%**	1.9	0.491	*86*	**$2,793**	($2,039)		*6,305*	*3,096*	*($1,736)*	
1986-87	"	0	**$5,688**	**0.00%**	3.6	0.473	*87*	**$2,691**	($2,141)		*6,494*	*3,072*	*($1,760)*	
1987-88	"	0	**$5,688**	**0.00%**	4.1	0.456	*88*	**$2,594**	($2,238)		*6,689*	*3,050*	*($1,782)*	
1988-89	"	0	**$5,688**	**0.00%**	4.8	0.434	*89*	**$2,469**	($2,363)		*6,889*	*2,990*	*($1,842)*	
1989-90	"	"PRBA" (+$133)	**$5,821**	**2.34%**	4.7	0.414	*90*	**$2,410**	($2,422)	**($54,426)**	*7,096*	*2,938*	*($1,894)*	***($42,832)***
1990-91	"	"PRBA" (+$145)	**$5,966**	**2.49%**	4.7	0.396	*91*	**$2,363**	($2,469)		*7,309*	*2,894*	*($1,938)*	
1991-92	"	"PRBA" (+$120)	**$6,086**	**2.01%**	3.1	0.384	*92*	**$2,337**	($2,495)		*7,528*	*2,891*	*($1,941)*	
1992-93#	TAX-$100	"PRBA" (+$97)	**$6,083**	**-0.05%**	3.0	0.372	*93*	**$2,263**	($2,569)		*7,754*	*2,884*	*($1,948)*	
1993-94	"	"PRBA" (+$68)	**$6,151**	**1.12%**	2.5	0.362	*94*	**$2,226**	($2,606)		*7,987*	*2,891*	*($1,941)*	
1994-95	"	"PRBA" (+$0)	**$6,151**	**0.00%**	3.0	0.352	*95*	**$2,166**	($2,666)		*8,226*	*2,897*	*($1,935)*	
1995-96	"	"PRBA" (+$0)	**$6,151**	**0.00%**	2.6	0.343	*96*	**$2,112**	($2,720)		*8,473*	*2,909*	*($1,923)*	
1996-97	"	"PRBA" (+$0)	**$6,151**	**0.00%**	2.3	0.332	*97*	**$2,043**	($2,789)		*8,727*	*2,898*	*($1,934)*	
1997-98	"	"PRBA" (+$0)	**$6,151**	**0.00%**	1.7	0.321	*98*	**$1,975**	($2,857)		*8,989*	*2,886*	*($1,946)*	
1998-99	"	"PRBA" (+$0)	**$6,151**	**0.00%**	1.9	0.315	*99*	**$1,938**	($2,894)		*9,259*	*2,916*	*($1,916)*	
1999-2000	"	**GABA (+1.5%)**	**$6,244**	**1.50%**	3.8	0.303	*####*	**$1,892**	($2,940)		*9,536*	*2,890*	*($1,942)*	
2001*	"	GABA (+1.5%)	**$6,337**	**1.50%**	3.5	0.292	*01*	**$1,853**	($2,979)	—	*9,822*	*2,872*	*($1,960)*	—

SOURCE DATA TRS FILES & US-DoL/BLS (JUNE-1975 $ BASE) CPI-U.

* 'PURCHASE POWER DIMINISHED -3.5% FOR JUNE '01 (CPI-U PROJECTION).

MINIMAL IMPUTED ADDITIONAL TAX LIABILITY RESULTING FROM IMPOSITION OF MONTANA INCOME TAX ON PUBLIC PENSION BENEFITS.

MEA-MFT

PERS BENEFITS, AD-HOC ADJUSTMENTS, GABA & INFLATION
IMPACT ON AN "AVERAGE" 1975 PERS RETIREE WITH 20 YRS SERVICE

Jan-01

YEAR	AVERAGE FY'75 RETIREE BENEFIT $	AD HOC BENEFIT ADJUSTMENT	ANNUAL BENEFIT WITH AD HOC $	% CHANGE ANNUAL BENEFIT	— INFLATION — % CPI-U	1975 $ PURCHASE POWER	INFLATION ADJUSTED BENEFIT $ IN 1975 $	ANNUAL $ LOST TO INFLATION	TOTAL $ LOST TO INFLATION
1974-75	$1,993	BASE	**$1,993**	**BASE**	BASE	BASE	**$1,993**	BASE	---
1975-76	||	0	**$1,993**	**0.00%**	5.8	0.947	**$1,887**	($106)	|
1976-77	||	0	**$1,993**	**0.00%**	6.5	0.886	**$1,766**	($227)	|
1977-78	||	FLAT % (+$331)	**$2,224**	**11.57%**	7.6	0.825	**$1,834**	($159)	|
1978-79	||	0	**$2,224**	**0.00%**	11.3	0.744	**$1,654**	($339)	|
1979-80	||	FLAT % (+$240)	**$2,464**	**10.80%**	13.5	0.651	**$1,604**	($389)	|
1980-81	||	0	**$2,464**	**0.00%**	10.3	0.594	**$1,463**	($530)	|
1981-82	||	FORMULA (+$120	**$2,584**	**4.87%**	6.2	0.555	**$1,434**	($559)	|
1982-83	||	0	**$2,584**	**0.00%**	3.2	0.541	**$1,398**	($595)	|
1983-84	||	FORMULA (+$240	**$2,824**	**9.29%**	4.3	0.519	**$1,466**	($527)	|
1984-85	||	0	**$2,824**	**0.00%**	3.6	0.501	**$1,415**	($578)	|
1985-86	||	FORMULA (+$324	**$3,163**	**12.00%**	1.9	0.491	**$1,553**	($440)	|
1986-87	||	0	**$3,163**	**0.00%**	3.6	0.473	**$1,496**	($497)	|
1987-88	||	FORMULA (+$174	**$3,337**	**5.50%**	4.1	0.456	**$1,521**	($472)	|
1988-89	||	0	**$3,337**	**0.00%**	4.8	0.434	**$1,448**	($545)	|
1989-90	||	"PRBA" (+$71)	**$3,408**	**2.13%**	4.7	0.414	**$1,411**	($582)	**($14,526)**
1990-91	||	"PRBA" (+$77)	**$3,485**	**2.26%**	4.7	0.396	**$1,380**	($613)	|
1991-92	||	"PRBA" (+$58)	**$3,543**	**1.67%**	3.1	0.384	**$1,360**	($633)	|
1992-93#	TAX -$100	"PRBA" (+$46)	**$3,489**	**-1.52%**	3.0	0.372	**$1,298**	($695)	|
1993-94	+5% AD HOC	"PRBA" (+$50)	**$3,713**	**6.42%**	2.5	0.362	**$1,344**	($649)	|
1994-95	||	"PRBA" (+$0)	**$3,713**	**0.00%**	3.0	0.352	**$1,308**	($685)	|
1995-96	||	"PRBA" (+$0)	**$3,713**	**0.00%**	2.6	0.343	**$1,275**	($718)	|
1996-97	||	"PRBA" (+$0)	**$3,713**	**0.00%**	2.3	0.332	**$1,233**	($760)	|
1997-98	||	**GABA (+1.5%)**	**$3,769**	**1.50%**	1.7	0.321	**$1,210**	($783)	|
1998-99	||	**GABA (+1.5%)**	**$3,825**	**1.50%**	2.0	0.315	**$1,205**	($788)	|
1999-2000	||	**GABA (+1.5%)**	**$3,883**	**1.50%**	2.5	0.303	**$1,177**	($816)	|
2000-01*	||	**GABA (+1.5%)**	**$3,941**	**1.50%**	2.5	0.292	**$1,152**	($841)	---

SOURCE DATA: PERS FILES & US-DoL/BLS (JUNE-1975 $ BASE) CPI-U.

* PURCHASE POWER DIMINISHED BY 3.5% FOR 2001 (CPI-U PROJECTED AT +3.5% PER YEAR).

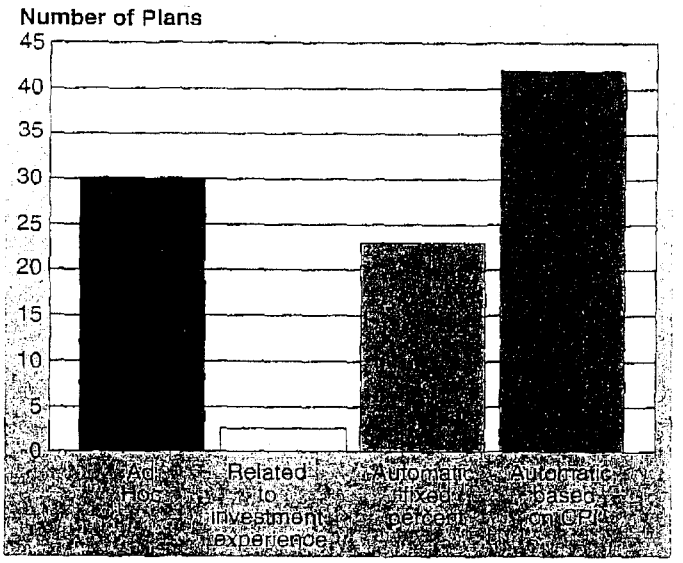
f:\ret\gaba\trxcpi75.xls

IMPUTED ADDITIONAL TAX LIABILITY RESULTING FROM TAXING PUBLIC PENSION MONIES.

COLAs by Plan Size and Social Security Coverage

	Number of Plans with Automatic COLAs	Number of Plans with Discretionary COLAs
Plan Size		
Active Members		
Fewer than 100,000	45	20
100,000 or more	20	13
Social Security Coverage	51	27
No Social Security Coverage	14	6

Types of Retirement COLAs



"Characteristics of 100 Large Public Pension Plans," NEA Research, September 1998.

Table 3 Public Pension Funds: Benefits

	Fiscal Year			
	1998	1996	1994	1992
Unit benefit factor (members covered by Social Security)	2.08	2.00	1.99	1.95
Plans with COLAs (%)	77	63	60	57
Average annual COLA (%)	3.13	2.62	2.81	2.55
Source: PPCC Surveys: 2000 and 1997.				

"2000 Public Pension Coordinating Council (PPCC) Survey," Government Finance Officers Association Research Center.

EXHIBIT 3
DATE 1/31/01
HB 294

January 31, 2001

Testimony for HB 294

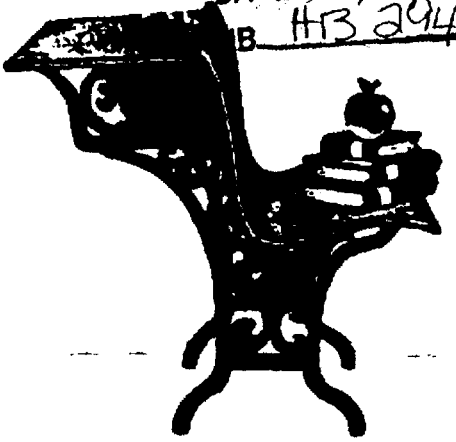
Good morning, Ladies and Gentlemen. My name is Diane Huber. I am president of Montana Retired Teachers/School Personnel Association. Our organization has about 1500 members, and we work for the well being of all retired educators in the state.

I am here to urge you to vote ***FOR HB 294.*** We still have a few retirees who devoted their careers to education, and receive less than $600 a month in retirement income. This bill would raise that very low minimum. Educators who have been retired several years have seen their incomes erode as inflation has taken away their purchasing power. A 3% average inflation rate means a person who retired in 1991, just ten years ago, has a buying power approximately 30% lower than when he retired. House Bill 294 incurs no cost to the public. We are only asking the GABA be increased as funds become available in the Teachers Retirement System.

The rallying cry throughout much of the recent campaign has been concern for education. To us concern for education means taking care of educators throughout their lifetime. I again urge you to approve of ***HB 294.***

Thank you.

EXHIBIT 4
DATE 1/31/01
SB HB 294



57th Legislative Assembly - State Administration Committee

Hearing HB-294

Montana Retired Teachers & School Personnel Assn.
January 31, 2001

My name is Charlotte Thomas and I represent the Montana Retired Teachers and School Personnel Association.

HB-294 (1.) will permit retired teachers to receive a 1.95% increase in benefits, to increase to 3%, as money accrues.
(2.) Is a bill that will grant an increase from $500 to $600 minimum to retired teachers with 25 years of teaching.

In 1937, the legislature passed a retirement bill for Montana teachers. This benefit was not subject to a state income tax, because teachers' salaries were so low.

In 1991, the legislature felt it necessary that all State retirees should be taxed, because Federal retirees were subject to state taxes. However, they did grant a 2.5% increase in benefits, to compensate for the loss of income to state retirees. The State Supreme Court declared the 2.5% increase unconstitutional, because of the way the bill was written. Consequently, since 1991, retired teachers must pay State Income Tax, but have not received the 2.5% increase in benefits.

Last session a 1.5 % Guaranteed Annual Benefit Adjustment was given to retired teachers. Teachers who retired before 1991 actually receive less in benefits NOW, than when they retired!

This is a fairness issue:
1.) It will not require active teachers to contribute more.
2.) No increase, in taxes, at state or local level.

Montana Retired Teachers would appreciate a DO PASS vote on HB - 294.

EXHIBIT 5
DATE 1/31/01
HB 294

HB 294 WED. JAN 31, 2001 STATE ADMINISTRATION COMMITTEE
ROOM 455 8AM

BILL EIKER, RETIRED TEACHER ,HELENA MONTANA.
REPRESENTING LEWIS AND CLARK RETIRED TEACHERS AND
SCHOOL PERSONNEL ASSOCIATION.

SUPPORT A GABA FROM $500 MIN TO $600 MIN
SUPPORT A GABA FROM 1.5% TO A MAX OF 3%
LIVING COSTS GO UP (FOOD, GAS, HOUSING, UTILITIES,
INSURANCE, MEDICAL COSTS, ETC.)

KEEP RETIREES HERE IN MONTANA. THEY SPEND $. THEY PAY TAXES. THEY VOTE. WE DO NOT WANT OUR RETIRED MONTANA TEACHERS TO LEAVE MONTANA FOR MORE AFFORDABLE ECONOMIC CONDITIONS.

NO COST TO TAXPAYERS. NO $ FROM GENERAL FUND. WE WILL USE THE ASSETS IN THE FUND FOR THE INCREASE.
LOW RISK. SYSTEM IS WELL FUNDED. WE ARE LONG TERM INVESTORS.

9000+ MONTANANS WILL RECEIVE THE INCREASED BENEFITS.

AVERAGE MONTHLY BENEFIT PRESENTLY IS $1083. MY HEALTH INSURANCE IS $545 MONTHLY AND GOES UP TO $600 ON APRIL FOOLS DAY 2001. THE IMPACT OF A 3% ANNUAL RATE OF INFLATION WILL MAKE THE PURCHASING POWER OF $1000 ONLY $863 IN 5 YEARS.

TO QUOTE GOVENOR MARTZ FROM HER JAN. 21ST 2001 STATE OF THE STATE ADDRESS "THERE IS NO MORE NOBLE PROFESSION, NO PURSUIT MORE VALUABLE THAN POSITIVELY SHAPING CHILDREN'S LIVES." THIS REFERENCE TO TEACHERS INDICATES TO ME THAT THERE SHOULD BE SOME COMPENSATION FOR OUR EFFORTS.

I WOULD APPRECIATE YOUR SUPPORT OF THIS BILL.

EXHIBIT 10
DATE 1/31/01
HB 294

TESTIMONY on HB294
Presented to
House State Administration Committee
by
Robert R. Martinka
Helena, MT
January 31, 2001

My name is Bob Martinka and I live here in Helena. I am here today representing myself to testify in support of House Bill 294.

When I began my employment with the State of Montana in the late 1960's, I automatically became a member of the Public Employees Retirement System. One of the benefits of this system that was promoted at that time was the fact that when an individual retired, the state provided a tax exemption for the first $3600 of retirement income. This appeared to me to be a pretty good benefit. Then in the late 1980's, a court decision threw out the exemption for state retirees - and as a result, the state general fund has benefited to the tune of probably several million dollars in the past decade and state retirees were the losers.

The legislation that you have before you today is a win-win proposal for both state retirees AND the state general fund. Retires will benefit from the annual retirement income increases that will go a long way toward offsetting the losses they experience from relentless inflation. The state general fund will benefit from the added taxes that retires will pay. In fact, I view the Fiscal Note that accompanies this legislation to be in error for not including the revenue that will accrue to the general fund from added taxes that will be collected. Another significant beneficiary of this legislation will be the economy of the state. More dollars will be available for spending and this will, at least in some measure, provide a stimulus for the state economy. And all of this, it is my understanding, will be accommodated by the respective retirement trust funds in an actuarially sound fashion.

You will be faced with many tough decisions in the next several months in your efforts to balance the state budget and provide for an adequate cushion. And very few of the pieces of legislation and budget requests that you face will result in decisions that are satisfactory to all involved. In this proposed legislation, you have an opportunity to support a win-win proposal. I urge your support HB294.

Thank you for the opportunity to appear before you.

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
57th LEGISLATURE - REGULAR SESSION
COMMITTEE ON STATE ADMINISTRATION

Call to Order: By **CHAIRMAN ALLAN WALTERS**, on February 7, 2001 at 8:00 A.M., in Room 455 Capitol.

ROLL CALL

Members Present:

Rep. Allan Walters, Chairman (R)
Rep. Debby Barrett, Vice Chairman (R)
Rep. Tom Dell, Vice Chairman (D)
Rep. Norma Bixby (D)
Rep. Dee Brown (R)
Rep. Donald L. Hedges (R)
Rep. Hal Jacobson (D)
Rep. Larry Jent (D)
Rep. Larry Lehman (R)
Rep. Ralph Lenhart (D)
Rep. Gay Ann Masolo (R)
Rep. Douglas Mood (R)
Rep. Alan Olson (R)
Rep. Holly Raser (D)
Rep. Rick Ripley (R)
Rep. Clarice Schrumpf (R)
Rep. Frank Smith (D)

Members Excused: None.

Members Absent: Rep. Michelle Lee (D)

Staff Present: Sheri Heffelfinger, Legislative Branch
Ruthie Padilla, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 75, 2/2/2001; SB 11, 2/2/2001
Executive Action: HB 294; SB 75; SB 11

Questions from Committee Members and Responses:

{Tape : 1; Side : A; Approx. Time Counter : 19.2}

REPRESENTATIVE BROWN stated the pre-session caucus is invaluable to those who are new and appreciated **SENATOR SHEA** brining forth the legislation.

Closing by Sponsor:

{Tape : 1; Side : A; Approx. Time Counter : 19.2}

REPRESENTATIVE SHEA closed on SB 11.

EXECUTIVE ACTION ON HB 294

{Tape : 1; Side : A; Approx. Time Counter : 22.5}

Motion: **REP. HEDGES** moved that **HB 294 DO PASS.**

Discussion:

REPRESENTATIVE MOOD submitted information from **Mike O'Connor** on fair market value. **EXHIBIT(sth31a01)**

REPRESENTATIVE BROWN said the bill has generated a lot of mail and a misunderstanding with teachers that this is a automatic 3% increase, when it is not an automatic 3% increase. Once we decide to do this, it will be a permanent decision.

CHAIRMAN WALTERS said the purpose of a retirement fund, is not to get bigger and bigger. The retirees should be getting the benefit of the excess funds. It should not be saved for other retirees in the future.

REPRESENTATIVE DELL said he had asked **Mike O'Connor** to give a graph on the effects of the bill over time. He then submitted and discussed the graph received from **Mike O'Connor.** **EXHIBIT(sth31a02)**

REPRESENTATIVE MOOD stated he also feels the money in the retirement should by used wisely and should go to the retirees. There is no reason for the money to just be sitting there.

Motion/Vote: **REP. HEDGES** moved that **HB 294 DO PASS. Motion carried unanimously. 17-0**

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION

JUDY MARTZ
GOVERNOR

STATE OF MONTANA

(406) 444-3154 TELEFAX (406) 444-5428
TOLL FREE (877) 275-7372

1712 9TH AVENUE
PO BOX 200131
HELENA, MONTANA 59620-0131

EXHIBIT 1
DATE 2/7/01
HB 294

February 2, 2001

Representative Doug Mood
Capitol Station
Helena Montana 59620

RE: House Bill 294 Increase GABA

Dear Representative Mood:

During the hearing on House Bill 294 you had several questions regarding the Public Employees' Retirement System. I would like to answer those for you and the committee.

The source of the following information is the Board of Investments Annual Reports for the Public Employees' Retirement System.

Fair Market Value:

- June 30, 1997 $2,017,239,601
- June 30, 1998 $2,377,407,694
- June 30, 1999 $2,631,933,405
- June 30, 2000 $2,853,117,845

Investment Market Return:

- June 30, 1997 19.63%
- June 30, 1998 16.67%
- June 30, 1999 12.11%
- June 30, 2000 7.97%

If you have any questions regarding House Bill 294 or any other retirement questions, I will be happy to answer. You can reach me at 444-5459.

Sincerely,

Mike O'Connor
Executive Director

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION

JUDY MARTZ
GOVERNOR

STATE OF MONTANA

(406) 444-3154 TELEFAX (406) 444-5428
TOLL FREE (877) 275-7372

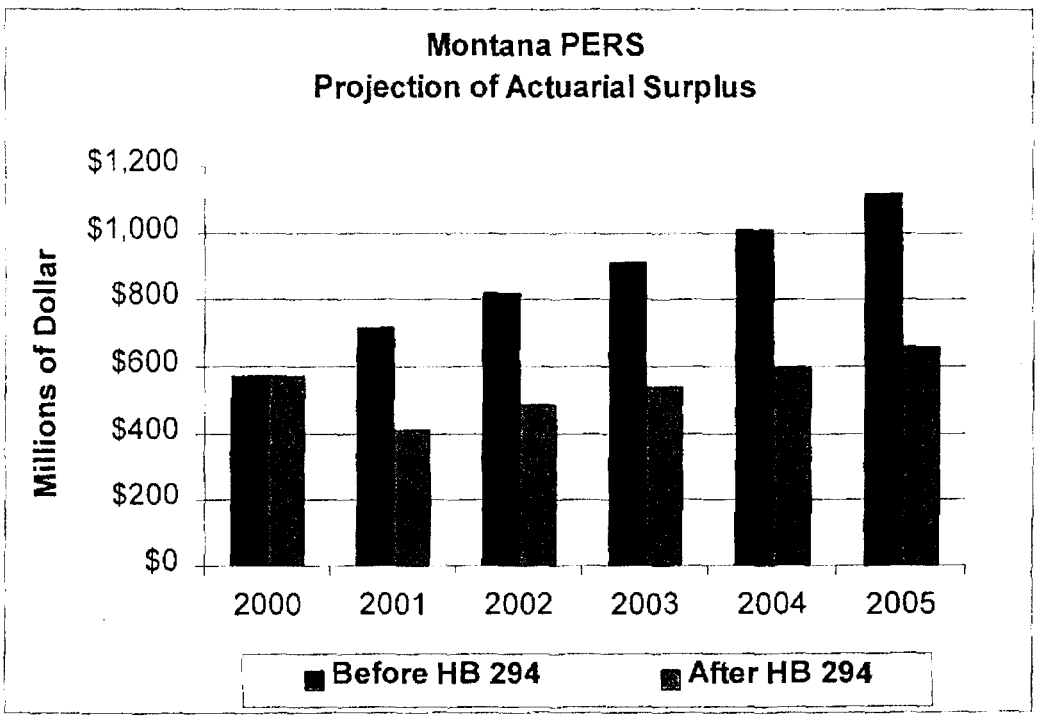
1712 9TH AVENUE
PO BOX 200131
HELENA, MONTANA 59620-0131

February 2, 2001

EXHIBIT 2
DATE 2/7/01
HB 294

Representative Tom Dell
Capitol Station
Helena Montana 59620

Dear Representative Dell:
During the hearing on HB294 you requested additional information regarding PERS. You requested if it would be possible to project the impact of HB294 on the system. Our actuary was able to provide this information in the graph below.
The graph assumes the current law with and without HB294 and projecting forward with the current actuarial assumptions. This graph is for illustrative purposes only.



If there is any additional information you or the House State Administration Committee would like to see or questions you would like to have answered, don't hesitate to let me know.

Sincerely,

Mike O'Connor
Executive Director

HOUSE OF REPRESENTATIVE

ROLL CALL

STATE ADMINISTATION COMMITTEE

DATE 2/7/01

NAME	PRESENT	ABSENT	EXCUSED	
REP. ALLAN WALTERS, CHAIRMAN	X			
REP. DEBBY BARRETT, V.C. MAJORITY	X			
REP. TOM DELL, V.C. MINORITY	X			
REP. DOUG MOOD	X		MM	MM proxy
REP. FRANK SMITH	X			
REP. DEE BROWN	X			
REP. MICHELLE LEE	MM	X		no proxy
REP. LARRY LEHMAN	X			
REP. RALPH LENHART	X			
REP. ALAN OLSON	X			
REP. NORMA BIXBY	X			
REP .RICK RIPLEY	X			
REP. CLARICE SCHRUMF	X			
REP. HOLLY RASER	X			
REP. GAY ANN MASOLO	X			
REP. HAL JACOBSON	X			
REP. DON HEDGES	X			
REP. LARRY JENT	X			

HOUSE OF REPRESENTATIVES

ROLL CALL VOTE

STATE ADMINISTRATION COMMITTEE

DATE 2/7/01 Bill NO HB294 NUMBER

MOTION: Rep Hedges made motion to do pass Bill

Name	AYE	NO
REP. ALLAN WALTERS, CHAIRMAN	X	
REP. DEBBY BARRETT, V.C. MAJORITY	X	
REP. TOM DELL, V.C. MINORITY	X	
REP. DOUG MOOD	X	
REP. FRANK SMITH	X	
REP. DEE BROWN	X	
REP. MICHELLE LEE		absent
REP. LARRY LEHMAN	X	
REP. RALPH LENHART	X	
REP. ALAN OLSON	X	
REP. NORMA BIXBY	X	
REP .RICK RIPLEY	X	
REP. CLARICE SCHRUMF	X	
REP. HOLLY RASER	X	
REP. GAY ANN MASOLO	X	
REP. HAL JACOBSON	X	
REP. DON HEDGES	X	
REP. LARRY JENT	X	

17-0 passes anan imous!

HOUSE STANDING COMMITTEE REPORT

February 7, 2001

Mr. Speaker:

We, your committee on **State Administration** report that **House Bill 294** (first reading copy - white) **do pass**.

Signed: Allan Walters
Representative Allan Walters, Chair

- END -

Committee Vote:
Yes 17, No 0.

310909SC.hdc

MINUTES

MONTANA SENATE
57th LEGISLATURE - REGULAR SESSION
COMMITTEE ON STATE ADMINISTRATION

Call to Order: By **CHAIRMAN DON HARGROVE**, on March 6, 2001 at 10:00 A.M., in Room 335 Capitol.

ROLL CALL

Members Present:
Sen. Don Hargrove, Chairman (R)
Sen. John C. Bohlinger, Vice Chairman (R)
Sen. Pete Ekegren (R)
Sen. Jim Elliott (D)
Sen. Eve Franklin (D)
Sen. Ken Toole (D)

Members Excused: Sen. Edward Butcher (R)
Sen. Fred Thomas (R)

Members Absent: None.

Staff Present: Lynette Brown, Committee Secretary
David Niss, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:
Hearing(s) & Date(s) Posted: HJ11, HB 281, HB 294, 2/17/2001
Executive Action: HJ 11, HB 294, HB 281

{Tape : 1; Side : A; Approx. Time Counter : 0}

HEARING ON HJ 11

Sponsor: **REP. JOE TROPILA, HD 47, Great Falls**

Proponents: **SEN. GERALD PEASE, SD 3, Lodge Grass**
REP. NORMA BIXBY, HD 5, Lame Deer
REP. CAROL JUNEAU, HD 85, Browning

SEN. HARGROVE asked **REP. LINDEEN** if this bill cooperated with the Information Privacy Act. She answered that it did.

Closing by Sponsor:

REP. MONICA LINDEEN, HD 7 closed HB 281 by telling the committee that this bill was important in this age of technology.

HEARING ON HB 294

Sponsor: **REP. DAVE LEWIS, HD 55, Helena**

Proponents: **Mike O'Connor, Montana Public Employees Retirement Association**
Stephen Kologi, Association of Montana Retired Public Employees
David Senn, Teacher Retirement Board
Troy McGee, Chief of Police
Frank Cole, Police Officers Association
Bob Pavlovich, Unified Firefighters Association
Tom Bilodeau, MEA-MFT
Tom Schneider, Montana Public Employees Association
Glen Leavitt, Montana University System
Bill Eiker, Lewis and Clark Retired Education Association
Diane Huber, Montana Retired Teachers and School Personnel Association
Charlotte, Thomas, MRT/SPA
Kathy McGowan, Montana Sheriff and Peace Officers Association
Natalie Fitzpatrick, Montana Retired Teachers and School Personnel Association
Don Walters, Retired Teachers Association
Terry Teichrow, PERS

Opponents: **None**

Opening Statement by Sponsor:

REP. DAVE LEWIS, HD 55, Helena, told the committee this was a GABA, Guaranteed Annual Benefit Adjustment, bill that was actuarially sound. **REP. LEWIS** stated that we had a fully funded retirement system at this time. The adjustments to be made were: (1) take the annual adjustment for PERS retirees to 3% per year, (2) going to be able to go back to adjust retirement benefits for

those who retired prior to 1982, and (3) would be able to adjust the Teachers' Retirement System for those who had 25 years of service, to receive a minimum of $600 per month. He added that page nine lists the things that would not be covered in this bill.

{Tape : 1; Side : B; Approx. Time Counter : 0}

Proponents' Testimony:

Mike O'Connor, MPEA, said there were 47,000 members that would be affected by this bill, with over 15,000 retirees and 30,000 active members. He stated that the biggest problem in retirement was the loss of purchasing power. **Mr. O'Connor** said this bill would increase the GABA up to the 3% from 1 ½%. He added that this bill would bring those individuals who retired long ago up to 75% of their purchasing power of when they retired. The system was presently in good financial shape to do this.

Stephen Kologi, Association of Montana Retired Public Employees, said they had given three suggestions to the interim committee dealing with this bill. The three suggestions were: (1) to increase the GABA from 1 1/2% to 3%, (2) do something for people who retired 20 years ago or more, and (3) to change the waiting period from three years to one year.

David Senn, Teacher Retirement Board, told the committee this bill would provide a minimum of $600 per month to teachers retiring after 25 years of service with no increases in employee or employer contributions. It would also give the board authority to move the GABA benefits from 1 1/2% up to 3%.

Troy McGee, Chief of Police, supported this legislation.

Frank Cole, Police Officers Association, expressed full support for this bill.

Bob Pavlovich, Unified Firefighters Association, supported this bill.

Tom Bilodeau, MEA-MFT, EXHIBIT(sts51a01) explained the Guaranteed Annual Benefit Adjustment.

Tom Schneider, Montana Public Employees Association, told the committee there was a need for this bill. He asked the committee to support HB 294.

Glen Leavitt, Montana University System, supported this bill.

Bill Eiker, Lewis and Clark Retired Education System, EXHIBIT(sts51a02) supported this bill.

Diane Huber, Montana Retired Teachers/School Personnel Association, EXHIBIT(sts51a03) urged support.

Charlotte Thomas, Montana Retired Teachers and School Personnel Association EXHIBIT(sts51a04) urged passage.

Kathy McGowan, Montana Sheriffs and Peace Officers Association, urged support for this bill.

Natalie Fitzpatrick, Montana Retired teachers and School Personnel Association, EXHIBIT(sts51a05)supported this bill.

Don Walters, Retired Teachers Association, EXHIBIT(sts51a06) urged passage.

Terry Teichrow, PERS, told the committee that, previously, the board was not in the physical fiscal shape to be able to do this. He added that the board was now in good financial shape and asked for support in this bill.

Opponents' Testimony: **None**

Questions from Committee Members and Responses:

SEN. ELLIOTT told **Leo Berry** in the 1991 legislative session, the legislators were faced with changing the law for federal and state retirees. He added that there had been a 2.5% increase instituted, but had been declared unconstitutional. **SEN. ELLIOTT** asked **Mr. Berry** if that 2.5% increase had ever been instituted. **Mr. Berry** answered that prior to the Michigan vs. Davis case, the state retirement payments were not taxed; that the supreme court ruled that federal employees could not be taxed differently than state employees. He added that this had been a common way for states to attract and retain people in their systems. The state of Montana decided to tax the state retirees, but would grant a one-time 2 ½% increasing the benefits. **Mr. Berry** told the committee the legislature passed that bill. The federal retirees then sued and the district court ruled that the state could do that. He added that the federal employees then filed an appeal to the supreme court who struck down that 2 1/2% increase. **Mr. Berry** said the retirees ended up with their benefits being taxed and they also did not get the 2 1/2% increase.

Closing by Sponsor:

REP. DAVE LEWIS, HD 55 closed HB 294 by telling the committee that health insurance costs would continue to increase. He urged support for this bill.

EXECUTIVE ACTION ON HB 294

Motion/Vote: SEN. BOHLINGER moved that **HB 294 BE CONCURRED IN. Motion carried unanimously.**

EXECUTIVE ACTION ON HB 281

Motion/Vote: SEN. EKEGREN moved that **HB 281 BE CONCURRED IN. Motion carried unanimously.**

On March 7, **EXHIBIT(sts51a07)** a letter was presented from Bob Vogel in support of HB 294 to be included in the minutes.

(1)

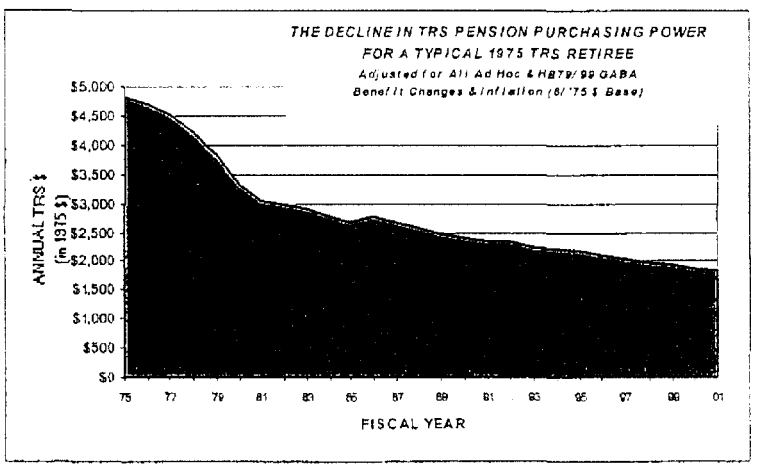
MEA-MFT
Public Schools, Public Service

GUARANTEED ANNUAL BENEFIT ADJUSTMENT
HB294 – GABA!

Tom Bilodeau, MEA-MFT Research Director
Senate State Administration Cmte – February 6, 2001

Since 1975, inflation has reduced the buying-power of a typical 1975 Teacher Retirement System (TRS) retiree's pension by nearly 60%. This decline in pension purchasing power has occurred despite 9 "ad-hoc" pension adjustments and enactment of a +1.5% GABA for TRS benefits in 1999. Only once since 1975 (FY86) did that year's ad-hoc or GABA adjustment match or exceed that single year's annual cost of inflation. And the situation for PERS is little better and complicated by generally lesser PERS benefits.

In simple fact, after a career's worth of service to the people of Montana, a public retiree's first TRS pension check was his/her largest; thereafter every pension dollar has been devalued (almost without check) by the ravages of inflation. The situation was made worse following the legislature's imposition of state income taxation on pension benefits since 1993. (In FY01, TRS pension taxation generates $3+ million in "new/additional" revenue for the State.)



SEN. TE STATE ADMIN.
EXHIBIT NO. 1
DATE 3-6-01
BILL NO. HB 294

The erosion of pension buying-power is a serious, obvious and continuing problem with Montana's TRS retirement program. And it's a problem that has been acknowledged by the legislature since the early 1980s. With adoption of the +1.5% PERS GABA in 1997 and +1.5% for TRS in 1999, Montana took important first steps toward addressing this problem on an on-going and fiscally sound basis.

Today's GABA proposal – HB294 sponsored by Representative Dave Lewis – takes Montana another "big step" toward assuring that Montana's public pensions provide for the income replacement needs of both current retirees and of today's active workforce – the retirees of the future. HB294's +3% GABA can be accomplished and fully paid for without any increases in taxes or fees by anyone, either now or in the future. And, with all HB294 funding coming from the prudent management of PERS & TRS pension assets, a 3% GABA can be achieved without cost to the State general fund.

MEA-MFT and the MEA-MFT-Retired program, along with MRT/SPA, the TRS and TRS Boards, all affected public employee unions and retiree organizations and others urge enactment of Representative Dave Lewis' 3% GABA/HB294 by the 2001 Legislature.

HB294 – a 3% GABA. It's the right thing to do!
It's the thing Montana can do NOW !

▫ Public Schools ▫ Higher Education
▫ State & County Employees
▫ Head Start ▫ Health Care

Working for Montana's Future

1232 East Sixth Ave., Helena, MT 59601 ▪ TEL 406/442-4250 or 800/398-0826 FAX 406/443-5081 www.mea-mft.org

HB294 BRIEFING NOTES – THE 2001 GABA PROPOSAL

- Providing some form of cost-of-living or "guaranteed annual benefit adjustment" (GABA) for all of Montana's public employee pension programs has been a longtime objective of MEA-MFT and the MEA-MFT Retired Program.

- A +1.5% GABA was enacted for PERS and six other public employee pension plans administered by the Public Employee Retirement Department (PERD) in 1977.

- The Teachers' Retirement System (TRS) was provided a +1.5% GABA in 1999. The 1999 TRS GABA also established a $500 month "minimum benefit" for all TRS retirees (or their beneficiaries) so long as the retiree's benefit was based on 25+ years of TRS credited service.

- The current +1.5% GABA has a 3 year "wait period" – the GABA adjustment doesn't begin until 3 years following the date of retirement. (SB89/2001 would reduce the "wait-period" for the PERS GABA to 1 year.)

- A +1.5% GABA has been described (by former State Senator and now Secretary of State Bob Brown) as a "diet COLA" – it "makes-up" for less than ½ of the average annual rate of inflation over the last 25 (or 80) years. A +1.5% GABA is less of a guaranteed pension benefit adjustment than currently afforded to a majority of public retirees in other states.

- <u>The 2001 GABA proposal – HB294 sponsored by Governor Racicot's budget director Dave Lewis (R-Helena) – immediately increases GABA for PERS and PERD administered pensions to 3% and authorizes the TRS board to incrementally increase the TRS GABA to 3% over time as TRS assets permit.</u>

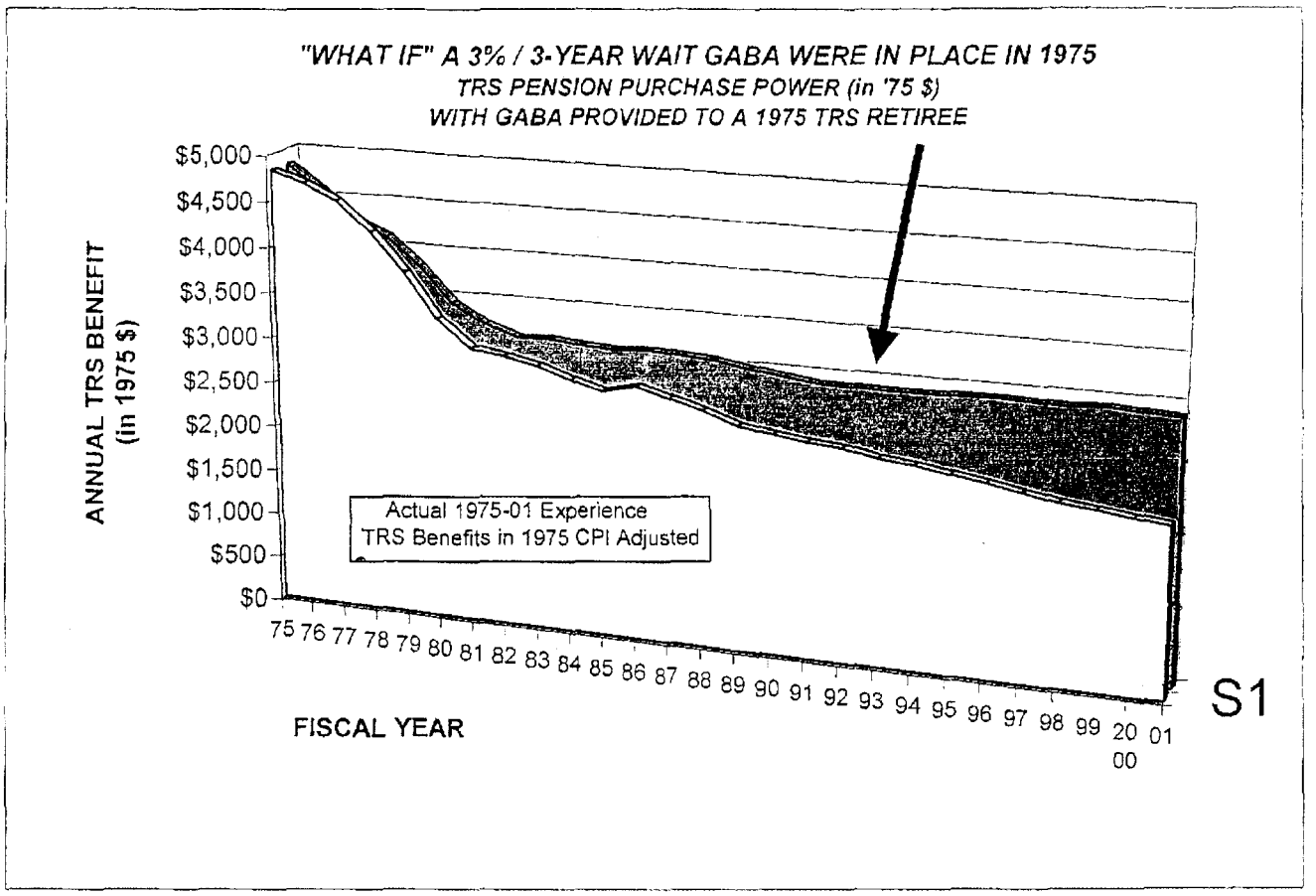
- HB294 is entirely funded by the assets of the various PERS and TRS pension funds. Like a badly needed home improvement loan, current PERS assets can extend the amortization period of the PERS fund to a still actuarially sound period of slightly less than 25 years and pay for an immediate 3% PERS GABA.

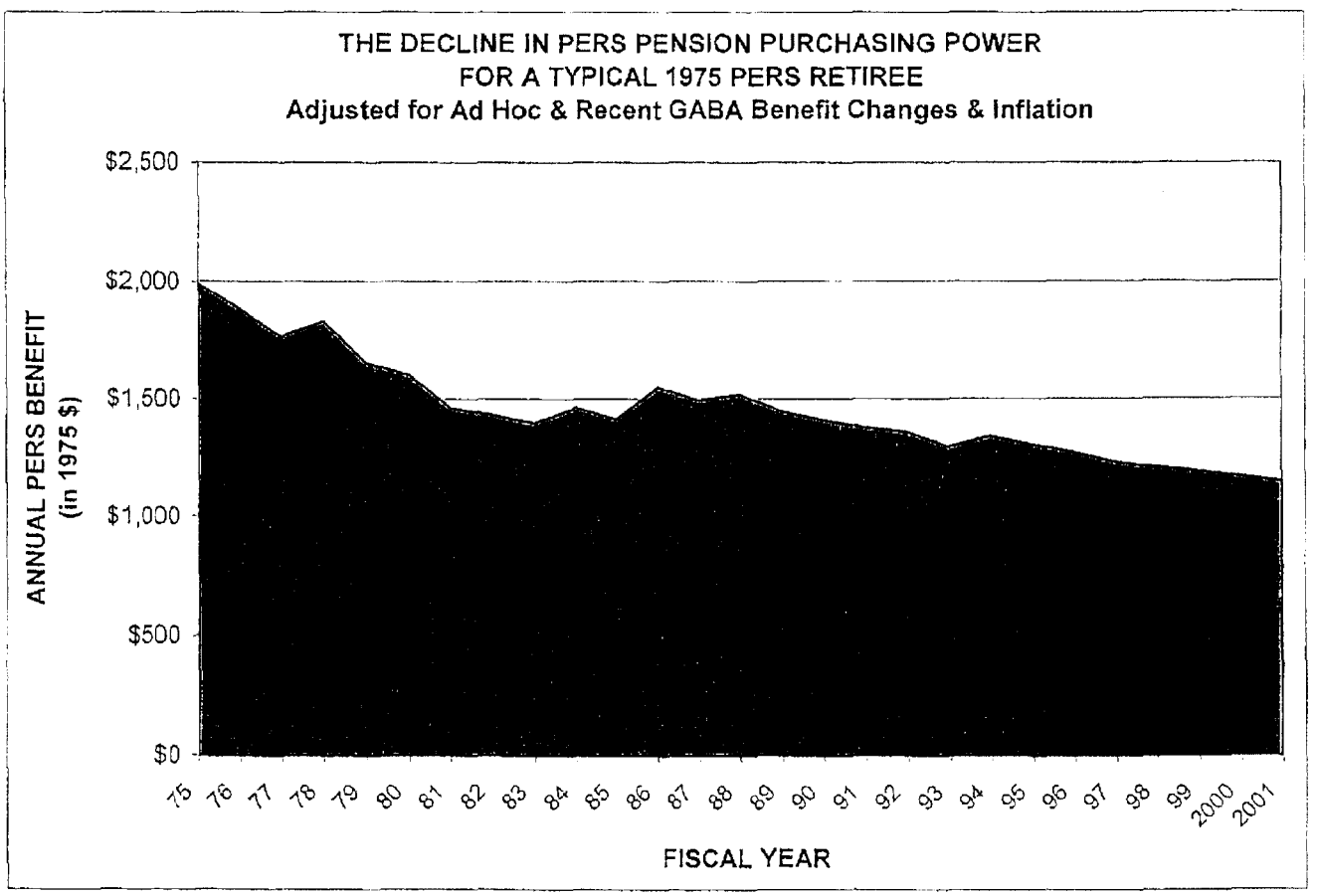
- TRS assets can be extended to 25 years and pay for a +.44% incremental increase in GABA beginning next year (from +1.5% to +1.94%) while maintaining the TRS amortization period at less than 25 years.

- HB294 then authorizes the TRS board to apply future TRS assets (as determined by the ordinary TRS biennial financial evaluations) to incrementally raise the TRS GABA to 3% over time.

- HB294 also establishes a partial inflation protected "floor benefit" for all PERS and PERD administered pension programs and raises the TRS "minimum benefit" to $600 per month for TRS retiree's having 25+ years of credited TRS service.

- <u>HB 294 has "zero cost" for taxpayers and the state general fund – and HB294 does not increase public employer or employee contributions to the pension programs</u>


"WHAT IF" A 3% / 3-YEAR WAIT GABA WERE IN PLACE IN 1975
TRS PENSION PURCHASE POWER (in '75 $)
WITH GABA PROVIDED TO A 1975 TRS RETIREE
ANNUAL TRS BENEFIT (in 1975 $)
$5,000
$4,500
$4,000
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
Actual 1975-01 Experience
TRS Benefits in 1975 CPI Adjusted
75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 20 00 01
FISCAL YEAR
S1


THE DECLINE IN PERS PENSION PURCHASING POWER
FOR A TYPICAL 1975 PERS RETIREE
Adjusted for Ad Hoc & Recent GABA Benefit Changes & Inflation
ANNUAL PERS BENEFIT (in 1975 $)
$2,500
$2,000
$1,500
$1,000
$500
$0
75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 2000 2001
FISCAL YEAR

MEA-MFT

TRS BENEFITS, AD-HOC ADJUSTMENTS & INFLATION

IMPACT ON AN "AVERAGE" 1975 TRS RETIREE WITH 25 YRS SERVICE

JAN.2001

YEAR	AVERAGE FY'75 RETIREE BENEFIT $	AD HOC BENEFIT ADJUSTMENT	**ANNUAL BENEFIT WITH AD HOC $**	**% CHANGE ANNUAL BENEFIT**	— INFLATION — % CPI-U	1975 $ PURCHASE POWER	*YEAR*	**INFLATION ADJUSTED BENEFIT $ IN 1975 $**	ANNUAL $ LOST TO INFLATION	TOTAL $ LOST TO INFLATION	*"WHAT IF" A 3% GABA WITH 3YR WAIT WERE IN PLACE IN 1975 Current $*	*CPI $*	*ANNUAL $ LOST TO INFLATION*	*TOTAL $ LOST TO INFLATION*
1974-75	$4,832	BASE	**$4,832**	**BASE**	BASE	BASE	*75*	**$4,832**	BASE	----	*4,832*	*4,832*	*BASE*	----
1975-76	||	FORMULA (+$145)	**$4,977**	**3.00%**	5.8	0.947	*76*	**$4,713**	($119)	|	*4,832*	*4,576*	*($256)*	|
1976-77	||	FORMULA (+$149)	**$5,126**	**3.00%**	6.5	0.886	*77*	**$4,542**	($290)	|	*4,832*	*4,281*	*($551)*	|
1977-78	||	0	**$5,126**	**0.00%**	7.6	0.825	*78*	**$4,229**	($603)	|	*4,977*	*4,106*	*($726)*	|
1978-79	||	0	**$5,126**	**0.00%**	11.3	0.744	*79*	**$3,814**	($1,018)	|	*5,126*	*3,814*	*($1,018)*	|
1979-80	||	0	**$5,126**	**0.00%**	13.5	0.651	*80*	**$3,337**	($1,495)	|	*5,280*	*3,437*	*($1,395)*	|
1980-81	||	0	**$5,126**	**0.00%**	10.3	0.594	*81*	**$3,045**	($1,787)	|	*5,438*	*3,230*	*($1,602)*	|
1981-82	||	FORMULA (+$262)	**$5,388**	**5.11%**	6.2	0.555	*82*	**$2,990**	($1,842)	|	*5,602*	*3,109*	*($1,723)*	|
1982-83	||	0	**$5,388**	**0.00%**	3.2	0.541	*83*	**$2,915**	($1,917)	|	*5,770*	*3,121*	*($1,711)*	|
1983-84	||	0	**$5,388**	**0.00%**	4.3	0.519	*84*	**$2,797**	($2,035)	|	*5,943*	*3,084*	*($1,748)*	|
1984-85	||	0	**$5,388**	**0.00%**	3.6	0.501	*85*	**$2,700**	($2,132)	|	*6,121*	*3,067*	*($1,765)*	|
1985-86	||	FORMULA (+$300)	**$5,688**	**5.57%**	1.9	0.491	*86*	**$2,793**	($2,039)	|	*6,305*	*3,096*	*($1,736)*	|
1986-87	||	0	**$5,688**	**0.00%**	3.6	0.473	*87*	**$2,691**	($2,141)	|	*6,494*	*3,072*	*($1,760)*	|
1987-88	||	0	**$5,688**	**0.00%**	4.1	0.456	*88*	**$2,594**	($2,238)	|	*6,689*	*3,050*	*($1,782)*	|
1988-89	||	0	**$5,688**	**0.00%**	4.8	0.434	*89*	**$2,469**	($2,363)	|	*6,889*	*2,990*	*($1,842)*	|
1989-90	||	"PRBA" (+$133)	**$5,821**	**2.34%**	4.7	0.414	*90*	**$2,410**	($2,422)	**($54,426)**	*7,096*	*2,938*	*($1,894)*	***($42,832)***
1990-91	||	"PRBA" (+$145)	**$5,966**	**2.49%**	4.7	0.396	*91*	**$2,363**	($2,469)	|	*7,309*	*2,894*	*($1,938)*	|
1991-92	||	"PRBA" (+$120)	**$6,086**	**2.01%**	3.1	0.384	*92*	**$2,337**	($2,495)	|	*7,528*	*2,891*	*($1,941)*	|
1992-93#	TAX-$100	"PRBA" (+$97)	**$6,083**	**-0.05%**	3.0	0.372	*93*	**$2,263**	($2,569)	|	*7,754*	*2,884*	*($1,948)*	|
1993-94	||	"PRBA" (+$68)	**$6,151**	**1.12%**	2.5	0.362	*94*	**$2,226**	($2,606)	|	*7,987*	*2,891*	*($1,941)*	|
1994-95	||	"PRBA" (+$0)	**$6,151**	**0.00%**	3.0	0.352	*95*	**$2,166**	($2,666)	|	*8,226*	*2,897*	*($1,935)*	|
1995-96	||	"PRBA" (+$0)	**$6,151**	**0.00%**	2.6	0.343	*96*	**$2,112**	($2,720)	|	*8,473*	*2,909*	*($1,923)*	|
1996-97	||	"PRBA" (+$0)	**$6,151**	**0.00%**	2.3	0.332	*97*	**$2,043**	($2,789)	|	*8,727*	*2,898*	*($1,934)*	|
1997-98	||	"PRBA" (+$0)	**$6,151**	**0.00%**	1.7	0.321	*98*	**$1,975**	($2,857)	|	*8,989*	*2,886*	*($1,946)*	|
1998-99	||	"PRBA" (+$0)	**$6,151**	**0.00%**	1.9	0.315	*99*	**$1,938**	($2,894)	|	*9,259*	*2,916*	*($1,916)*	|
1999-2000	||	**GABA (+1.5%)**	**$6,244**	**1.50%**	3.8	0.303	*####*	**$1,892**	($2,940)	|	*9,536*	*2,890*	*($1,942)*	|
2001*	||	GABA (+1.5%)	**$6,337**	**1.50%**	3.5	0.292	*01*	**$1,853**	($2,979)	----	*9,822*	*2,872*	*($1,960)*	----

SOURCE DATA TRS FILES & US-DoL/BLS (JUNE-1975 $ BASE) CPI-U.

* 'PURCHASE POWER DIMINISHED -3.5% FOR JUNE '01 (CPI-U PROJECTION).

MINIMAL IMPUTED ADDITIONAL TAX LIABILITY RESULTING FROM IMPOSITION OF MONTANA INCOME TAX ON PUBLIC PENSION BENEFITS.

MEA-MFT

PERS BENEFITS, AD-HOC ADJUSTMENTS, GABA & INFLATION

IMPACT ON AN "AVERAGE" 1975 PERS RETIREE WITH 20 YRS SERVICE

Jan-01

YEAR	AVERAGE FY'75 RETIREE BENEFIT $	AD HOC BENEFIT ADJUSTMENT	**ANNUAL BENEFIT WITH AD HOC $**	**% CHANGE ANNUAL BENEFIT**	---- INFLATION ---- % CPI-U	1975 $ PURCHASE POWER	**INFLATION ADJUSTED BENEFIT $ IN 1975 $**	ANNUAL $ LOST TO INFLATION	TOTAL $ LOST TO INFLATION
1974-75	$1,993	BASE	**$1,993**	**BASE**	BASE	BASE	**$1,993**	BASE	----
1975-76	||	0	**$1,993**	**0.00%**	5.8	0.947	**$1,887**	($106)	|
1976-77	||	0	**$1,993**	**0.00%**	6.5	0.886	**$1,766**	($227)	|
1977-78	||	FLAT % (+$331)	**$2,224**	**11.57%**	7.6	0.825	**$1,834**	($159)	|
1978-79	||	0	**$2,224**	**0.00%**	11.3	0.744	**$1,654**	($339)	|
1979-80	||	FLAT % (+$240)	**$2,464**	**10.80%**	13.5	0.651	**$1,604**	($389)	|
1980-81	||	0	**$2,464**	**0.00%**	10.3	0.594	**$1,463**	($530)	|
1981-82	||	FORMULA (+$120	**$2,584**	**4.87%**	6.2	0.555	**$1,434**	($559)	|
1982-83	||	0	**$2,584**	**0.00%**	3.2	0.541	**$1,398**	($595)	|
1983-84	||	FORMULA (+$240	**$2,824**	**9.29%**	4.3	0.519	**$1,466**	($527)	|
1984-85	||	0	**$2,824**	**0.00%**	3.6	0.501	**$1,415**	($578)	|
1985-86	||	FORMULA (+$324	**$3,163**	**12.00%**	1.9	0.491	**$1,553**	($440)	|
1986-87	||	0	**$3,163**	**0.00%**	3.6	0.473	**$1,496**	($497)	|
1987-88	||	FORMULA (+$174	**$3,337**	**5.50%**	4.1	0.456	**$1,521**	($472)	|
1988-89	||	0	**$3,337**	**0.00%**	4.8	0.434	**$1,448**	($545)	|
1989-90	||	"PRBA" (+$71)	**$3,408**	**2.13%**	4.7	0.414	**$1,411**	($582)	**($14,526)**
1990-91	||	"PRBA" (+$77)	**$3,485**	**2.26%**	4.7	0.396	**$1,380**	($613)	|
1991-92	||	"PRBA" (+$58)	**$3,543**	**1.67%**	3.1	0.384	**$1,360**	($633)	|
1992-93#	TAX -$100	"PRBA" (+$46)	**$3,489**	**-1.52%**	3.0	0.372	**$1,298**	($695)	|
1993-94	+5% AD HOC	"PRBA" (+$50)	**$3,713**	**6.42%**	2.5	0.362	**$1,344**	($649)	|
1994-95	||	"PRBA" (+$0)	**$3,713**	**0.00%**	3.0	0.352	**$1,308**	($685)	|
1995-96	||	"PRBA" (+$0)	**$3,713**	**0.00%**	2.6	0.343	**$1,275**	($718)	|
1996-97	||	"PRBA" (+$0)	**$3,713**	**0.00%**	2.3	0.332	**$1,233**	($760)	|
1997-98	||	**GABA (+1.5%)**	**$3,769**	**1.50%**	1.7	0.321	**$1,210**	($783)	|
1998-99	||	**GABA (+1.5%)**	**$3,825**	**1.50%**	2.0	0.315	**$1,205**	($788)	|
1999-2000	||	**GABA (+1.5%)**	**$3,883**	**1.50%**	2.5	0.303	**$1,177**	($816)	|
2000-01*	||	**GABA (+1.5%)**	**$3,941**	**1.50%**	2.5	0.292	**$1,152**	($841)	----

SOURCE DATA: PERS FILES & US-DoL/BLS (JUNE-1975 $ BASE) CPI-U.

* PURCHASE POWER DIMINISHED BY 3.5% FOR 2001 (CPI-U PROJECTED AT +3.5% PER YEAR).

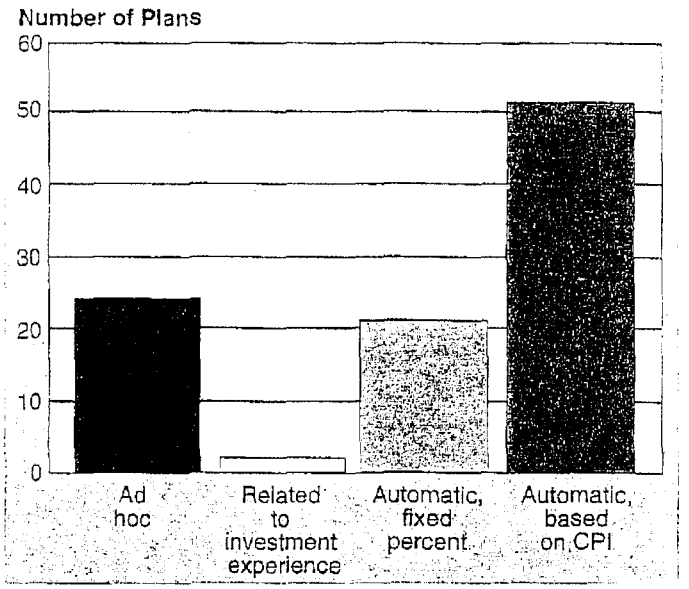
IMPUTED ADDITIONAL TAX LIABILITY RESULTING FROM TAXING PUBLIC PENSION MONIES.

f:\ret\gaba\lrxcpi75.xls

Summary Chart 3.
COLAs by Plan Size and Social Security Coverage

	Number of Plans With Automatic COLAs	Number of Plans With Discretionary COLAs
Plan Size		
Active Members		
Fewer than 100,000	49	15
100,000 or more	23	9
Social Security Coverage	56	19
No Social Security Coverage	16	6

Figure 3.
Types of Retirement COLAs



Characteristics of 100 Large Public Pension Plans, NEA Research, 2000.

Table 8 Public Pension Funds: Benefits

	Fiscal Year			
	1998	1996	1994	1992
Unit benefit factor (members covered by Social Security)	2.08	2.00	1.99	1.95
Plans with COLAs (%)	77	63	60	57
Average annual COLA (%)	3.13	2.62	2.81	2.55
Source: PPCC Surveys: 2000 and 1997.				

"2000 Public Pension Coordinating Council (PPCC) Survey," Government Finance Officers Association Research Center.

(2)

EXHIBIT NO. 2
DATE 3-6-01
BILL NO. #B 294

HB 294 TUESDAY MARCH 6, 2001 SENATE STATE ADMINISTRATION COMMITTEE ROOM 335 10AM.

BILL EIKER, RETIRED TEACHER ,HELENA MONTANA.
REPRESENTING LEWIS AND CLARK RETIRED TEACHERS AND SCHOOL PERSONNEL ASSOCIATION.

SUPPORT A GABA FROM $500 MIN TO $600 MIN
SUPPORT A GABA FROM 1.5% TO A MAX OF 3%
LIVING COSTS GO UP (FOOD, GAS, HOUSING, UTILITIES, INSURANCE, MEDICAL COSTS, ETC.)

KEEP RETIREES HERE IN MONTANA. THEY SPEND $. THEY PAY TAXES. THEY VOTE. WE DO NOT WANT OUR RETIRED MONTANA TEACHERS TO LEAVE MONTANA FOR MORE AFFORDABLE ECONOMIC CONDITIONS.

NO COST TO TAXPAYERS. NO $ FROM GENERAL FUND. WE WILL USE THE ASSETS IN THE FUND FOR THE INCREASE.
LOW RISK. SYSTEM IS WELL FUNDED. WE ARE LONG TERM INVESTORS.

9000+ MONTANANS WILL RECEIVE THE INCREASED BENEFITS.

AVERAGE MONTHLY BENEFIT PRESENTLY IS $1083. MY HEALTH INSURANCE IS $545 MONTHLY . THE IMPACT OF A 3% ANNUAL RATE OF INFLATION WILL MAKE THE PURCHASING POWER OF $1000 ONLY $863 IN 5 YEARS.

TO QUOTE GOVENOR MARTZ FROM HER JAN. 21ST 2001 STATE OF THE STATE ADDRESS "THERE IS NO MORE NOBLE PROFESSION, NO PURSUIT MORE VALUABLE THAN POSITIVELY SHAPING CHILDREN'S LIVES." THIS REFERENCE TO TEACHERS INDICATES TO ME THAT THERE SHOULD BE SOME INCREASED COMPENSATION FOR OUR EFFORTS.

I WOULD APPRECIATE YOUR SUPPORT OF THIS BILL.

(3)

SENATE STATE ADMIN.
EXHIBIT NO. 3
DATE 3-7-01
BILL NO. HB294

March 6, 2001

Good morning, distinguished Senators. My name is Diane Huber. I am president of Montana Retired Teachers/School Personnel Association. Our organization has about 1500 members, and we work for the well being of all retired educators in the state.

I urge you to vote for HB294. Some of our older members still make less than $600 per month, and this bill would raise this very low minimum. In addition, teachers have seen their income erode through inflation, and rising medical costs. A person who has been retired ten years has lost approximately 30% of his income.

The bill does not ask for any additional funds from the state. It only asks that we be allowed to use money in the Teachers Retirement System as it accumulates.

Education has been the rallying cry throughout the legislature. Taking care of education means taking care of educators throughout their lifetime.

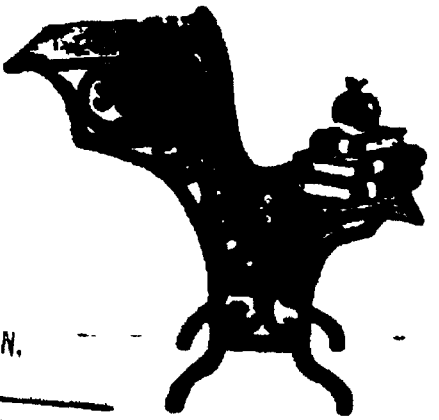
We ask you to approve HB294.

Thank you.

4

57th Legislative Assembly - Montana Senate
State Administration Committee

Hearing HB-294



Montana Retired Teachers & School Personal Association
March 6, 2001

TO: STATE ADMIN.
EXHIBIT NO. 4
DATE 3-7-01
BILL NO. HB 294

My name is Charlotte Thomas and I represent the Montana Retired Teachers and School Personnel Association.

HB-294 (1) Will permit retired teachers to receive an increase from 1.5% to 1.95%, and then to a 3% retirement benefit, as our money accrues.
(2) Is a bill that will grant an increase, from $500 to $600 minimum, to retired teachers with 25 years of teaching.

In 1937, the legislature passed a retirement bill for Montana teachers. This benefit was not subject to a state income tax, because teachers' salaries were so low.

In 1991, the legislature felt it necessary that all State retirees should be taxed, because Federal retirees were subject to state taxes. However, they did grant a 2.5% increase in benefits, to compensate for the loss of income to state retirees. The State Supreme Court declared the 2.5% increase unconstitutional, because of the way the bill was written. Consequently, since 1991, retired teachers must pay State Income Tax, but have not received the 2.5% increase in benefits.

Last session a 1.5% Guaranteed Annual Benefit Adjustment was given to retired teachers Teachers who retired before 1991 actually receive less in benefits NOW, than when they retired!

This is a fairness issue:
1.) It will not require active teachers to contribute more.
2.) No increase, in taxes, at state or local level.

Montana Retired Teachers would appreciate a DO PASS vote on HB-294.

EXHIBIT NO. 5
DATE 3-7-01
BILL NO. HB 294

I am Natalie Fitzpatrick, past-president of the Montana Retired Teachers and School Personnel Association and presently chairman of the MRT Foundation. I really do not have anything more to add to my letter to you of February 28, except to urge you to give a DO PASS recommendation for House Bill 294. As you know, this bill will allow pensions for retired public and school district employees to increase to a maximum of 3% with the funding to come entirely from earnings of investment of their respective retirement funds. At a time when public moneys are needed for many worthwhile projects, this requested pension increase will not cost Montana taxpayers a single dollar.

Please help our retired local and state government and school district employees by passing HB 294 which will slow the continued erosion of the purchasing power of our retirement incomes.

Thank you for your serious consideration of House Bill 294.

MONTANA SENATE
2001 LEGISLATURE
STATE ADMINISTRATION COMMITTEE

ROLL CALL DATE 3-6-01

NAME	PRESENT	ABSENT	EXCUSED
SEN. DON HARGROVE, CHAIRMAN	✓		
SEN. JOHN BOHLINGER, VICE CHAIRMAN	✓		
SEN. ED BUTCHER			✓
SEN. PETE EKEGREN	✓		
SEN. JIM ELLIOTT	✓		
SEN. EVE FRANKLIN	✓		
SEN. FRED THOMAS			✓
SEN. KEN TOOLE	✓		

SENATE STANDING COMMITTEE REPORT

Mr. President:

We, your committee on **State Administration** recommend that **House Bill 294** (third reading copy - blue) **be concurred in**.

Signed: Don Hargrove
Senator Don Hargrove, Chair

To be carried by Senator Don Hargrove

- END -

Committee Vote:
Yes 8, No 0.

511330SC.srf

HOUSE BILL NO. 294

INTRODUCED BY D. LEWIS

A BILL FOR AN ACT ENTITLED: "AN ACT RELATING TO PUBLIC EMPLOYEE RETIREMENT SYSTEM BENEFITS; AMENDING DEFINITIONS; PROVIDING FOR A PURCHASING POWER ADJUSTMENT IN BENEFITS PAID BY THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM; REQUIRING AN INCREASE IN THE GUARANTEED ANNUAL BENEFIT ADJUSTMENT FOR MEMBERS OF CERTAIN PUBLIC EMPLOYEE RETIREMENT SYSTEMS; PROVIDING AN ELECTION BETWEEN THE GUARANTEED ANNUAL BENEFIT ADJUSTMENT AND OTHER ADJUSTMENTS IN RETIREMENT BENEFIT FOR MEMBERS OF CERTAIN PUBLIC EMPLOYEE RETIREMENT SYSTEMS; INCREASING THE MINIMUM MONTHLY BENEFIT ALLOWANCE FOR RETIREES AND BENEFICIARIES OF THE TEACHERS' RETIREMENT SYSTEM; AUTHORIZING UPON CERTAIN CONDITIONS AN INCREASE IN THE GUARANTEED ANNUAL BENEFIT ADJUSTMENT FOR THE TEACHERS' RETIREMENT SYSTEM; AMENDING SECTIONS 19-2-303, 19-3-108, 19-3-1605, 19-5-901, 19-6-101, 19-6-710, 19-7-101, 19-7-711, 19-8-101, 19-8-1105, 19-9-1009, 19-9-1010, 19-13-1010, 19-20-622, AND 19-20-719, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 19-2-303, MCA, is amended to read:

"19-2-303. (Temporary) Definitions. Unless the context requires otherwise, for each of the retirement systems subject to this chapter, the following definitions apply:

(1) "Accumulated contributions" means the sum of all the regular and any additional contributions made by a member in a system, together with the regular interest on the contributions.

(2) "Active member" means a member who is a paid employee of an employer, is making the required contributions, and is properly reported to the board for the most current reporting period.

(3) "Actuarial cost" means the amount determined by the board in a uniform and nondiscriminatory manner to represent the present value of the benefits to be derived from the additional service to be credited based on the most recent actuarial valuation for the system and the age, years until retirement, and current salary of the member.

(4) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of the ~~1971 Group Annuity Mortality Table, with ages set back 4 years and an interest rate of 8% compounded annually~~ mortality table and interest rate assumptions adopted by the board.

(5) "Actuarial liabilities" means the excess of the present value of all benefits payable under a retirement system over the present value of future normal costs in that retirement system.

(6) "Actuary" means the actuary retained by the board in accordance with 19-2-405.

(7) "Additional contributions" means contributions made by a member to purchase various types of optional service credit as allowed by the applicable retirement system.

(8) "Annuity" means equal and fixed payments for life that are the actuarial equivalent of a lump-sum payment under a retirement system and as such are not benefits paid by a retirement system and are not subject to periodic or one-time increases.

(9) "Benefit" means the service or disability retirement or survivorship benefit payment provided by a retirement system.

(10) "Board" means the public employees' retirement board provided for in 2-15-1009.

(11) "Contingent annuitant" means a person designated to receive a continuing monthly benefit after the death of a retired member.

(12) "Credited service" or "service credit" means the periods of time for which the required contributions have been made to a retirement system and that are used to calculate service or disability retirement or survivorship benefits under a retirement system.

(13) "Department" means the department of administration.

(14) "Designated beneficiary" means the person designated by a member or payment recipient to receive any survivorship benefits or lump-sum payments upon the death of the member or payment recipient, including annuities derived from the benefits or payments.

(15) "Disability" means a total inability of the member to perform the member's duties by reason of physical or mental incapacity. The disability must be incurred

while the member is an active member and must be one of permanent duration or of extended and uncertain duration, as determined by the board on the basis of competent medical opinion.

(16) "Employee" means a person who is employed by an employer in any capacity and whose salary is being paid by the employer.

(17) "Employer" means a governmental entity participating in a retirement system enumerated in 19-2-302 on behalf of its eligible employees.

(18) "Essential elements of the position" means fundamental job duties. An element may be considered essential because of but not limited to the following factors:

(a) the position exists to perform the element;

(b) there are a limited number of employees to perform the element; or

(c) the element is highly specialized.

(19) "Fiscal year" means a plan year, which is any year commencing with July 1 and ending the following June 30.

(20) "Inactive member" means a member who is not an active or retired member.

(21) "Internal Revenue Code" means the federal Internal Revenue Code of 1954 or 1986, as applicable to a retirement system, as that code provided on July 1, 1999.

(22) "Member" means any person with accumulated contributions and service credited with a retirement system or receiving a retirement benefit on account of the person's previous service credited in a retirement system.

(23) "Membership service" or "years of service" means the periods of service that are used to determine eligibility for retirement or other benefits.

(24) "Normal cost" or "future normal cost" means an amount calculated under an actuarial cost method required to fund accruing benefits for members of a retirement system during any year in the future. Normal cost does not include any portion of the supplemental costs of a retirement system.

(25) "Pension" means benefit payments for life derived from contributions to a system made from state- or employer-controlled funds.

(26) "Pension trust fund" means a fund established to hold the contributions, income, and assets of a retirement system in public trust.

(27) "Regular contributions" means contributions required from members under

a retirement system.

(28) "Regular interest" means interest at the rate set from time to time by the board.

(29) "Retirement" or "retired" means the status of a member who has been terminated from service for at least 30 days and has received and accepted a retirement benefit from a retirement system.

(30) "Retirement benefit" means the periodic benefit payable as a result of service, early, or disability retirement under a retirement system. An annuity is not a retirement benefit.

(31) "Retirement system" or "system" means one of the public employee retirement systems enumerated in 19-2-302.

(32) "Service" means employment of an employee in a position covered by a retirement system.

(33) "Statutory beneficiary" means the surviving spouse or dependent child or children of a member of the highway patrol officers', municipal police officers', or firefighters' unified retirement system who are statutorily designated to receive benefits upon the death of the member.

(34) "Supplemental cost" means an element of the total actuarial cost of a retirement system arising from benefits payable for service performed prior to the inception of the retirement system or prior to the date of contribution rate increases, changes in actuarial assumptions, actuarial losses, or failure to fund or otherwise recognize normal cost accruals or interest on supplemental costs. These costs are included in the unfunded actuarial liabilities of the retirement system.

(35) "Survivorship benefit" means payments for life to the statutory or designated beneficiary of a deceased member who died while in service under a retirement system.

(36) "Termination of employment" or "termination of service" means that the member has severed the employment relationship with the employer and has been paid all compensation due upon termination of employment, including but not limited to payment of accrued annual leave credits, as provided in 2-18-617, and payment of accrued sick leave credits, as provided in 2-18-618. For purposes of this subsection,

compensation as a result of legal action, court order, appeal, or settlement to which the board was not party is not a payment due upon termination.

(37) "Unfunded actuarial liabilities" or "unfunded liabilities" means the excess of a retirement system's actuarial liabilities at any given point in time over the value of its cash and investments on that same date.

(38) "Vested member" or "vested" means a member or the status of a member who has attained the minimum membership service requirements to be eligible for retirement benefits under a retirement system.

(39) "Written application" means a written instrument, specified by the board, properly executed, and filed with the board, that contains all the information required by the board, including documentation that the board considers necessary.

19-2-303. (Effective on occurrence of contingency or July 1, 2002, whichever is earlier) Definitions. Unless the context requires otherwise, for each of the retirement systems subject to this chapter, the following definitions apply:

(1) "Account balance" means all contributions, income, and other assets in a retirement account that have, pursuant to 19-3-2116, vested to a member of the defined contribution plan.

(2) "Accumulated contributions" means the sum of all the regular and any additional contributions made by a member in a defined benefit plan, together with the regular interest on the contributions.

(3) "Active member" means a member who is a paid employee of an employer, is making the required contributions, and is properly reported to the board for the most current reporting period.

(4) "Actuarial cost" means the amount determined by the board in a uniform and nondiscriminatory manner to represent the present value of the benefits to be derived from the additional service to be credited based on the most recent actuarial valuation for the system and the age, years until retirement, and current salary of the member.

(5) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of the ~~1971 Group Annuity Mortality Table, with ages set back 4 years and an interest rate of 8% compounded annually~~ mortality table and interest rate assumptions adopted by the board.

(6) "Actuarial liabilities" means the excess of the present value of all benefits payable under a defined benefit retirement plan over the present value of future normal costs in that retirement plan.

(7) "Actuary" means the actuary retained by the board in accordance with 19-2-405.

(8) "Additional contributions" means contributions made by a member of a defined benefit plan to purchase various types of optional service credit as allowed by the applicable retirement plan.

(9) "Annuity" means:

(a) in the case of a defined benefit plan, equal and fixed payments for life that are the actuarial equivalent of a lump-sum payment under a retirement plan and as such are not benefits paid by a retirement plan and are not subject to periodic or one-time increases; or

(b) in the case of the defined contribution plan, a payment of a fixed sum of money at regular intervals.

(10) "Benefit" means:

(a) the service or disability retirement or survivorship benefit payment provided by a defined benefit retirement plan; or

(b) a payment or distribution under the defined contribution retirement plan for the exclusive benefit of a plan member or the member's beneficiary or an annuity purchased under 19-3-2124.

(11) "Board" means the public employees' retirement board provided for in 2-15-1009.

(12) "Contingent annuitant" means a person designated to receive a continuing monthly benefit after the death of a retired member.

(13) "Covered employment" means employment in a covered position.

(14) "Covered position" means a position in which the employee must be a member of the retirement system except as otherwise provided by law.

(15) "Credited service" or "service credit" means the periods of time for which the required contributions have been made to a retirement plan and that are used to calculate service or disability retirement or survivorship benefits under a defined

benefit retirement plan.

(16) "Defined benefit retirement plan" or "defined benefit plan" means a plan within the retirement systems provided for pursuant to 19-2-302 that is not the defined contribution retirement plan.

(17) "Defined contribution retirement plan" or "defined contribution plan" means the plan within the public employees' retirement system established in 19-3-103 that is provided for in chapter 3, part 21, of this title and that is not a defined benefit plan.

(18) "Department" means the department of administration.

(19) "Designated beneficiary" means the person designated by a member or payment recipient to receive any survivorship benefits, lump-sum payments, or benefit from a retirement account upon the death of the member or payment recipient, including annuities derived from the benefits or payments.

(20) "Disability" means a total inability of the member to perform the member's duties by reason of physical or mental incapacity. The disability must be incurred while the member is an active member and must be one of permanent duration or of extended and uncertain duration, as determined by the board on the basis of competent medical opinion.

(21) "Employee" means a person who is employed by an employer in any capacity and whose salary is being paid by the employer.

(22) "Employer" means a governmental entity participating in a retirement system enumerated in 19-2-302 on behalf of its eligible employees.

(23) "Essential elements of the position" means fundamental job duties. An element may be considered essential because of but not limited to the following factors:

(a) the position exists to perform the element;

(b) there are a limited number of employees to perform the element; or

(c) the element is highly specialized.

(24) "Fiscal year" means a plan year, which is any year commencing with July 1 and ending the following June 30.

(25) "Inactive member" means a member who is not an active or retired member.

(26) "Internal Revenue Code" means the federal Internal Revenue Code of 1954

or 1986, as applicable to a retirement system, as that code provided on July 1, 1999.

(27) "Member" means either:

(a) a person with accumulated contributions and service credited with a defined benefit retirement plan or receiving a retirement benefit on account of the person's previous service credited in a retirement system; or

(b) a person with a retirement account in the defined contribution plan.

(28) "Membership service" or "years of service" means the periods of service that are used to determine eligibility for retirement or other benefits.

(29) "Normal cost" or "future normal cost" means an amount calculated under an actuarial cost method required to fund accruing benefits for members of a defined benefit retirement plan during any year in the future. Normal cost does not include any portion of the supplemental costs of a retirement plan.

(30) "Pension" means benefit payments for life derived from contributions to a retirement plan made from state- or employer-controlled funds.

(31) "Pension trust fund" means a fund established to hold the contributions, income, and assets of a retirement system or plan in public trust.

(32) "Plan choice rate" means the amount of the employer contribution as a percentage of payroll covered by the defined contribution plan members that is allocated to the public employees' retirement system's defined benefit plan pursuant to 19-3-2117 and that is adjusted by the board pursuant to 19-3-2121 to actuarially fund the unfunded liabilities and the normal cost rate changes in a defined benefit plan resulting from member selection of the defined contribution plan.

(33) "Regular contributions" means contributions required from members under a retirement plan.

(34) "Regular interest" means interest at the rate set from time to time by the board.

(35) "Retirement" or "retired" means the status of a member who has been terminated from service for at least 30 days and has received and accepted a retirement benefit from a retirement plan.

(36) "Retirement account" means an individual account within the defined contribution retirement plan for the deposit of employer and employee contributions

and other assets for the exclusive benefit of a member of the defined contribution plan or the member's beneficiary.

(37) "Retirement benefit" means:

(a) in the case of a defined benefit plan, the periodic benefit payable as a result of service, early, or disability retirement under a defined benefit plan of a retirement system. With respect to a defined benefit plan, the term does not mean an annuity.

(b) in the case of the defined contribution plan, a benefit as defined in subsection (10)(b).

(38) "Retirement system" or "system" means one of the public employee retirement systems enumerated in 19-2-302.

(39) "Service" means employment of an employee in a position covered by a retirement system.

(40) "Statutory beneficiary" means the surviving spouse or dependent child or children of a member of the highway patrol officers', municipal police officers', or firefighters' unified retirement system who are statutorily designated to receive benefits upon the death of the member.

(41) "Supplemental cost" means an element of the total actuarial cost of a defined benefit retirement plan arising from benefits payable for service performed prior to the inception of the retirement plan or prior to the date of contribution rate increases, changes in actuarial assumptions, actuarial losses, or failure to fund or otherwise recognize normal cost accruals or interest on supplemental costs. These costs are included in the unfunded actuarial liabilities of the retirement plan.

(42) "Survivorship benefit" means payments for life to the statutory or designated beneficiary of a deceased member who died while in service under a defined benefit retirement plan.

(43) "Termination of employment" or "termination of service" means that the member has severed the employment relationship with the employer and has been paid all compensation due upon termination of employment, including but not limited to payment of accrued annual leave credits, as provided in 2-18-617, and payment of accrued sick leave credits, as provided in 2-18-618. For purposes of this subsection,

compensation as a result of legal action, court order, appeal, or settlement to which the board was not party is not a payment due upon termination.

(44) "Unfunded actuarial liabilities" or "unfunded liabilities" means the excess of a defined benefit retirement plan's actuarial liabilities at any given point in time over the value of its cash and investments on that same date.

(45) "Vested member" or "vested" means:

(a) with respect to a defined benefit plan, a member or the status of a member who has attained the minimum membership service requirements to be eligible for retirement benefits under the retirement plan; or

(b) with respect to the defined contribution plan, a member or the status of a member who, pursuant to 19-3-2116, is entitled to employer contributions and income on those contributions in the member's retirement account.

(46) "Written application" means a written instrument, specified by the board, properly executed, and filed with the board, that contains all the information required by the board, including documentation that the board considers necessary."

Section 2. Section 19-3-108, MCA, is amended to read:

"**19-3-108. (Temporary) Definitions.** Unless the context requires otherwise, as used in this chapter, the following definitions apply:

(1) (a) "Compensation" means remuneration paid out of funds controlled by an employer in payment for the member's services, or for time during which the member is excused from work because of a holiday or because the member has taken compensatory leave, sick leave, annual leave, or a leave of absence, before any pretax deductions allowed by state or federal law are made.

(b) Compensation does not include:

(i) the payments or contributions made in lieu of wages for an individual subject to 19-3-403(4)(a);

(ii) in-kind goods provided by the employer, such as uniforms, housing, transportation, or meals;

(iii) in-kind services, such as the retraining allowance paid pursuant to 2-18-622, or employment-related services;

(iv) contributions to group insurance, such as that provided under 2-18-701 through 2-18-704; and

(v) lump-sum payments for compensatory leave, sick leave, or annual leave paid without termination of employment.

(2) "Contracting employer" means any political subdivision or governmental entity that has contracted to come into the system under this chapter.

(3) "Employer" means the state of Montana, its university system or any of the colleges, schools, components, or units of the university system for the purposes of this chapter, or any contracting employer, except that a nonprofit mental health corporation established pursuant to 53-21-204 may not be an employer with regard to employees hired after June 30, 1999.

(4) "Employer contributions" means payments to the pension trust fund pursuant to 19-3-316 from appropriations of the state of Montana and from contracting employers.

(5) "Final average salary" means a member's highest average monthly compensation during any 36 consecutive months of membership service. Lump-sum payments for severance pay, including compensatory leave, sick leave, and annual leave, paid to the member upon termination of employment may be used in the calculation of a retirement benefit only to the extent that they are used to replace, on a month-for-month basis, the regular compensation for a month or months included in the calculation of the final average salary. A lump-sum payment may not be added to a single month's compensation.

19-3-108. (Effective on occurrence of contingency or July 1, 2002, whichever is earlier) Definitions. Unless the context requires otherwise, as used in this chapter, the following definitions apply:

(1) (a) "Compensation" means remuneration paid out of funds controlled by an employer in payment for the member's services, or for time during which the member is excused from work because of a holiday or because the member has taken compensatory leave, sick leave, annual leave, or a leave of absence, before any pretax deductions allowed by state or federal law are made.

(b) Compensation does not include:

(i) the payments or contributions made in lieu of wages for an individual subject to 19-3-403(4)(a);

(ii) in-kind goods provided by the employer, such as uniforms, housing, transportation, or meals;

(iii) in-kind services, such as the retraining allowance paid pursuant to 2-18-622, or employment-related services;

(iv) contributions to group insurance, such as that provided under 2-18-701 through 2-18-704; and

(v) lump-sum payments for compensatory leave, sick leave, or annual leave paid without termination of employment.

(2) "Contracting employer" means any political subdivision or governmental entity that has contracted to come into the system under this chapter.

(3) "Defined benefit plan" means the plan within the public employees' retirement system established in 19-3-103 that is not the defined contribution plan.

(4) "Employer" means the state of Montana, its university system or any of the colleges, schools, components, or units of the university system for the purposes of this chapter, or any contracting employer, except that a nonprofit mental health corporation established pursuant to 53-21-204 may not be an employer with regard to employees hired after June 30, 1999.

(5) "Employer contributions" means payments to a pension trust fund pursuant to 19-3-316 from appropriations of the state of Montana and from contracting employers.

(6) "Final average salary" means a member's highest average monthly compensation during any 36 consecutive months of membership service. Lump-sum payments for severance pay, including payment for compensatory leave, sick leave, and annual leave, paid to the member upon termination of employment may be used in the calculation of a retirement benefit only to the extent that they are used to replace, on a month-for-month basis, the regular compensation for a month or months included in the calculation of the final average salary. A lump-sum payment may not be added to a single month's compensation.

(7) "System" or "retirement system" means the public employees' retirement system established in 19-3-103."

Section 3. Section 19-3-1605, MCA, is amended to read:

"19-3-1605. Guaranteed annual benefit adjustment. (1) Subject to subsection

(2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by ~~1.5%~~ 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a ~~1.5%~~ 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of ~~1.5%~~ 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a ~~1.5%~~ 3% annualized increase, then the benefit increase provided under this section must be 0%.

(c) If a benefit recipient is a contingent annuitant receiving an optional benefit upon the death of the original payee that occurred since the preceding January, the new recipient's monthly benefit must be increased to ~~1.5%~~ 3% more than the amount that the contingent annuitant would have received had the contingent annuitant received a benefit during the preceding January.

(3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made; and

(b) the benefit recipient is not an active member of a public retirement system covered by this title.

(4) The board shall adopt rules to administer the provisions of this section."

NEW SECTION. **Section 4. Purchasing power adjustment.** Beginning with the July 2001 benefit, the board shall provide an ad hoc benefit increase to retired members and beneficiaries of the retirement system receiving a monthly retirement benefit. The ad hoc benefit increase must be calculated by the board actuary and approved by the board. The benefit increase must be designed to bring the benefit recipient's current

benefit up to a level estimated to be no less than 75% of the purchasing power of the original recipient's initial monthly benefit. Purchasing power must be calculated considering the date that the first benefit was paid to the original benefit recipient, applicable benefit increases since that date, and a comparison with the consumer price index for urban wage earners and workers, compiled by the bureau of labor statistics of the United States department of labor since the date the first benefit was paid to the original benefit recipient.

Section 5. Section 19-5-901, MCA, is amended to read:

"19-5-901. Guaranteed annual benefit adjustment. (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by ~~1.5%~~ 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a ~~1.5%~~ 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of ~~1.5%~~ 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a ~~1.5%~~ 3% annualized increase, then the benefit increase provided under this section must be 0%.

(c) If a benefit recipient is a contingent annuitant receiving an optional benefit upon the death of the original payee that occurred since the preceding January, the new recipient's monthly benefit must be increased to ~~1.5%~~ 3.0% more than the amount that the contingent annuitant would have received had the contingent annuitant received a benefit during the preceding January.

(3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1

of the year in which the adjustment is to be made;

(b) the benefit recipient is not an active member of a public retirement system covered by this title; and

(c) the member or benefit recipient either:

(i) first became an active member on or after July 1, 1997; or

(ii) filed a voluntary, irrevocable election to be covered under this section. The election must be filed with the board prior to January 1, 1998.

(4) The board shall adopt rules to administer the provisions of this section."

NEW SECTION. **Section 6. Election -- guaranteed annual benefit adjustment.** (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a 3% annualized increase, then the benefit increase provided under this section must be 0%.

(3) A benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made; and

(b) the member either:

(i) first became an active member on or after July 1, 1997; or

(ii) filed a voluntary, irrevocable election to be covered under this section. The election:

(A) must be filed with the board prior to December 1, 2001; and

(B) requires an active member to pay an increased or revised contribution rate from January 1, 2002, forward.

(4) The board shall adopt rules to administer the provisions of this section.

(5) The decision of a member who elected to participate under 19-5-901 remains valid. The decision of a member who elected not to participate under 19-5-901 may be reversed under this section.

Section 7. Section 19-6-101, MCA, is amended to read:

"19-6-101. Definitions. Unless the context requires otherwise, the following definitions apply in this chapter:

(1) "Compensation" means remuneration paid for services to a member out of funds controlled by an employer before any pretax deductions allowed by the Internal Revenue Code have been made and exclusive of maintenance, allowances, and expenses.

(2) "Dependent child" means an unmarried child of a deceased retired member, who is:

(a) under 18 years of age; or

(b) under 24 years of age and attending an accredited postsecondary educational institution as a full-time student in anticipation of receiving a certificate or degree.

(3) "Final average salary" means the average monthly compensation received by a member for any 3 years of continuous service upon which contributions have been made or, in the event a member has not served 3 years, the total compensation earned divided by the number of months served. Lump-sum payments for severance pay, including payment for compensatory leave, sick leave, and annual leave, paid to an employee upon termination of service may be used in the calculation of a retirement benefit only to the extent that they are used to replace, on a month-for-month basis, the normal compensation for a month or months included in the calculation of the final average salary. A lump-sum payment may not be added to a single month's compensation.

(4) "Surviving spouse" means the spouse married to a retired member at the time of the retired member's death.

(5) "Survivor" means a surviving spouse or dependent child of a member."

Section 8. Section 19-6-710, MCA, is amended to read:

"19-6-710. Guaranteed annual benefit adjustment. (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by ~~1.5%~~ 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a ~~1.5%~~ 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of ~~1.5%~~ 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a ~~1.5%~~ 3% annualized increase, then the benefit increase provided under this section must be 0%.

(3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made;

(b) the benefit recipient is not an active member of a public retirement system covered by this title; and

(c) the member either:

(i) first became an active member on or after July 1, 1997; or

(ii) filed a voluntary, irrevocable election to be covered under this section. The election must be filed with the board prior to January 1, 1998, and requires an active member to pay an increased contribution rate from July 1, 1997, forward. A retired member or the member's survivor who is receiving a monthly benefit before July 1, 1997, shall also file the voluntary, irrevocable election no later than January 1, 1998, to be covered under this section.

(4) The board shall adopt rules to administer the provisions of this section."

NEW SECTION. **Section 9. Election -- guaranteed annual benefit adjustment.** (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a 3% annualized increase, then the benefit increase provided under this section must be 0%.

(3) A benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made; and

(b) the member either:

(i) first became an active member on or after July 1, 1997; or

(ii) filed a voluntary, irrevocable election to be covered under this section. The election:

(A) must be filed with the board prior to December 1, 2001; and

(B) requires an active member to pay an increased or revised contribution rate from January 1, 2002, forward.

(4) The board shall adopt rules to administer the provisions of this section.

(5) The decision of a member who elected to participate under 19-6-710 remains valid. The decision of a member who elected not to participate under 19-6-710 may be reversed under this section.

Section 10. Section 19-7-101, MCA, is amended to read:

"19-7-101. Definitions. Unless the context requires otherwise, the following

definitions apply in this chapter:

(1) "Compensation" means remuneration paid for services to a member out of funds controlled by an employer before any pretax deductions allowed by the Internal Revenue Code are made and exclusive of maintenance, allowances, and expenses.

(2) "Final average salary" means the average monthly compensation received by a member for any 3 years of continuous service from which contributions were deducted or, in the event that a member has not served 3 years, the total compensation earned divided by the number of months served. Lump-sum payments for severance pay, including payment for compensatory leave, sick leave, and annual leave, paid to an employee upon termination of employment may be used in the calculation of a retirement benefit only to the extent that they are used to replace, on a month-for-month basis, the normal compensation for a month or months included in the calculation of the final average salary. A lump-sum payment may not be added to a single month's compensation.

(3) "Investigator" means a person who is employed as a criminal investigator or as a gambling investigator for the department of justice.

(4) "Sheriff" means any elected or appointed county sheriff or undersheriff or any appointed, lawfully trained, appropriately salaried, and regularly acting deputy sheriff. The board shall adopt rules incorporating both the peace officers standards and training council's current law enforcement training requirements and the legislatively authorized salary requirements as effective for deputy sheriffs who are eligible for membership in this retirement system."

Section 11. Section 19-7-711, MCA, is amended to read:

"**19-7-711. Guaranteed annual benefit adjustment.** (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by ~~1.5%~~ 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a ~~1.5%~~ 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of ~~1.5%~~ 3% in

the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a ~~1.5%~~ 3% annualized increase, then the benefit increase provided under this section must be 0%.

(c) If a benefit recipient is a contingent annuitant receiving an optional benefit upon the death of the original payee that occurred since the preceding January, the new recipient's monthly benefit must be increased to ~~1.5%~~ 3% more than the amount that the contingent annuitant would have received had the contingent annuitant received a benefit during the preceding January.

(3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made; and

(b) the benefit recipient is not an active member of a public retirement system covered by this title.

(4) The board shall adopt rules to administer the provisions of this section."

Section 12. Section 19-8-101, MCA, is amended to read:

"**19-8-101. Definitions.** Unless the context requires otherwise, the following definitions apply in this chapter:

(1) "Compensation" means remuneration paid for services to a member out of funds controlled by an employer before any pretax deductions allowed by the Internal Revenue Code are made and exclusive of maintenance, allowances, and expenses.

(2) "Final average salary" means the average monthly compensation received by a member for any 3 years of continuous service upon which contributions were made or, in the event a member has not served 3 years, the total compensation earned divided by the number of months served. Lump-sum payments for severance pay, including payment for compensatory leave, sick leave, and annual leave, paid to an employee upon termination of employment may be used in the calculation of a retirement benefit only

to the extent that they are used to replace, on a month-for-month basis, the normal compensation for a month or months included in the calculation of the final average salary. A lump-sum payment may not be added to a single month's compensation.

(3) "Game warden" means a state fish and game warden hired by the department of fish, wildlife, and parks and includes all warden supervisory personnel whose salaries or compensation is paid out of the department of fish, wildlife, and parks money.

(4) "Motor carrier officer" means an employee of the department of transportation appointed as a peace officer pursuant to 61-12-201.

(5) "Peace officer" or "state peace officer" means a person who by virtue of the person's employment with the state is vested by law with a duty to maintain public order or make arrests for offenses while acting within the scope of the person's authority or who is charged with specific law enforcement responsibilities on behalf of the state."

Section 13. Section 19-8-1105, MCA, is amended to read:

"**19-8-1105. Guaranteed annual benefit adjustment.** (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by ~~1.5%~~ 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a ~~1.5%~~ 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of ~~1.5%~~ 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a ~~1.5%~~ 3% annualized increase, then the benefit increase provided under this section must be 0%.

(c) If a benefit recipient is a contingent annuitant receiving an optional benefit upon the death of the original payee that occurred since the preceding January,

the new recipient's monthly benefit must be increased to ~~1.5%~~ 3% more than the amount that the contingent annuitant would have received had the contingent annuitant received a benefit during the preceding January.

(3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made; and

(b) the benefit recipient is not an active member of a public retirement system covered by this title.

(4) The board shall adopt rules to administer the provisions of this section."

Section 14. Section 19-9-1009, MCA, is amended to read:

"**19-9-1009. Guaranteed annual benefit adjustment.** (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by ~~1.5%~~ 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a ~~1.5%~~ 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of ~~1.5%~~ 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a ~~1.5%~~ 3% annualized increase, then the benefit increase provided under this section must be 0%.

(3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made;

(b) the benefit recipient is not an active member of a public retirement system covered by this title; and

(c) the member either:

(i) first became an active member on or after July 1, 1997; or

(ii) filed a voluntary, irrevocable election to be covered under this section. The election must be filed with the board prior to January 1, 1998, and requires an active member to pay an increased contribution rate from July 1, 1997, forward. A retired member or the member's survivor who is receiving a monthly benefit before July 1, 1997, shall also file the voluntary, irrevocable election no later than January 1, 1998, to be covered under this section.

(4) The board shall adopt rules to administer the provisions of this section."

Section 15. Section 19-9-1010, MCA, is amended to read:

"19-9-1010. Election -- guaranteed annual benefit adjustment. (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by ~~1.5%~~ 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a ~~1.5%~~ 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of ~~1.5%~~ 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a ~~1.5%~~ 3% annualized increase, then the benefit increase provided under this section must be 0%.

(3) A benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made; and

(b) the member either:

(i) first became an active member on or after July 1, 1997; or

(ii) filed a voluntary, irrevocable election to be covered under this section. The election:

(A) must be filed with the board prior to December 1, 1999; and

(B) requires an active member to pay an increased or revised contribution rate from January 1, 2000, forward.

(4) The board shall adopt rules to administer the provisions of this section.

(5) The decision of a member who elected to participate under 19-9-1009 remains valid. The decision of a member who elected not to participate under 19-9-1009 may be reversed under this section."

NEW SECTION. **Section 16. Election -- guaranteed annual benefit adjustment.** (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a 3% annualized increase, then the benefit increase provided under this section must be 0%.

(3) A benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made; and

(b) the member either:

(i) first became an active member on or after July 1, 1997; or

(ii) filed a voluntary, irrevocable election to be covered under this section.

The election:

(A) must be filed with the board prior to December 1, 2001; and

(B) requires an active member to pay an increased or revised contribution rate from January 1, 2002, forward.

(4) The board shall adopt rules to administer the provisions of this section.

(5) The decision of a member who elected to participate under 19-9-1009 or 19-9-1010 remains valid. The decision of a member who elected not to participate under 19-9-1009 and 19-9-1010 may be reversed under this section.

Section 17. Section 19-13-1010, MCA, is amended to read:

"19-13-1010. Guaranteed annual benefit adjustment. (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by ~~1.5%~~ 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a ~~1.5%~~ 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of ~~1.5%~~ 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a ~~1.5%~~ 3% annualized increase, then the benefit increase provided under this section must be 0%.

(3) Except as provided in subsection (2)(b), a benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made;

(b) the benefit recipient is not an active member of a public retirement system covered by this title; and

(c) the member either:

(i) first became an active member on or after July 1, 1997; or

(ii) filed a voluntary, irrevocable election to be covered under this section. The election must be filed with the board prior to January 1, 1998, and requires an active member to pay an increased contribution rate from July 1, 1997, forward. A retired member or the member's survivor who is receiving a monthly benefit before July 1, 1997, shall also file the voluntary, irrevocable election no later than January 1, 1998, to be covered under this section.

(4) The board shall adopt rules to administer the provisions of this section."

NEW SECTION. **Section 18. Election -- guaranteed annual benefit adjustment.** (1) Subject to subsection (2), on January 1 of each year, the permanent monthly benefit payable during the preceding January to each recipient who is eligible under subsection (3) must be increased by 3%.

(2) (a) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the adjustments amount to less than a 3% annualized increase, then the recipient's benefit must be adjusted by an amount that will provide a total annualized increase of 3% in the benefit paid since the preceding January.

(b) If a recipient's benefit payable during the preceding January has been increased by one or more adjustments not provided for in this section and the increases amount to more than a 3% annualized increase, then the benefit increase provided under this section must be 0%.

(3) A benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if:

(a) the benefit's commencement date is at least 36 months prior to January 1 of the year in which the adjustment is to be made; and

(b) the member either:

(i) first became an active member on or after July 1, 1997; or

(ii) filed a voluntary, irrevocable election to be covered under this section. The election:

(A) must be filed with the board prior to December 1, 2001; and

(B) requires an active member to pay an increased or revised contribution rate from January 1, 2002, forward.

(4) The board shall adopt rules to administer the provisions of this section.

(5) The decision of a member who elected to participate under 19-13-1010 remains valid. The decision of a member who elected not to participate under 19-13-1010 may be reversed under this section.

Section 19. Section 19-20-622, MCA, is amended to read:

"19-20-622. Minimum monthly benefit allowance. (1) A retired member of the retirement system who on July 1, ~~1999~~ 2001, is receiving a service or disability retirement allowance that is less than ~~$500~~ $600 is eligible to receive a minimum monthly benefit allowance of ~~$500~~ $600 if the member at the time of retirement had 25 years or more of creditable service.

(2) A beneficiary or beneficiaries of a deceased retired member who on July 1, ~~1999~~ 2001, are receiving an optional service, disability, or survivorship allowance that when added together are less than ~~$500~~ $600 are eligible to receive a proportional share of a minimum monthly benefit allowance of ~~$500~~ $600 if the retired member at the time of retirement had 25 years or more of creditable service.

(3) If on July 1, ~~1999~~ 2001, multiple beneficiaries are receiving benefits under a retired member's account, the minimum monthly benefit must be divided in the same proportion as was the initial service, disability, or survivorship allowance."

Section 20. Section 19-20-719, MCA, is amended to read:

"19-20-719. Guaranteed annual benefit adjustment -- rulemaking. (1) ~~On~~ Subject to subsection (3), on January 1 of each year, the retirement allowance payable to each recipient who is eligible under subsection (2) must be increased by 1.5%.

(2) A benefit recipient is eligible for and must receive the minimum annual benefit adjustment provided for in this section if the retiree's most recent retirement effective date is at least 36 months prior to January 1 of the year in which the adjustment is to be made.

(3) On January 1, 2002, and January 1 of each year following the system's biennial

valuation, the board may increase the annual benefit adjustment provided in subsection (1) until a maximum of 3% is guaranteed if:

(a) the period required to amortize the system's actuarial unfunded liability, as determined by the most recent biennial valuation, adjusted for any benefit enhancement enacted by the legislature since the most recent biennial valuation, is less than 25 years;

(b) sufficient funds are available to increase the guaranteed annual benefit adjustment by at least 0.1%; and

(c) the increase granted by the board would not cause the amortization period, as of the most recent valuation, to exceed 25 years.

(4) The board shall adopt rules to administer the provisions of this section."

NEW SECTION. **Section 21. Codification instruction.** (1) [Section 4] is intended to be codified as an integral part of Title 19, chapter 3, part 16, and the provisions of Title 19, chapter 3, part 16, apply to [section 4].

(2) [Section 6] is intended to be codified as an integral part of Title 19, chapter 5, part 9, and the provisions of Title 19, chapter 5, part 9, apply to [section 6].

(3) [Section 9] is intended to be codified as an integral part of Title 19, chapter 6, part 7, and the provisions of Title 19, chapter 6, part 7, apply to [section 9].

(4) [Section 16] is intended to be codified as an integral part of Title 19, chapter 9, part 10, and the provisions of Title 19, chapter 9, part 10, apply to [section 16].

(5) [Section 18] is intended to be codified as an integral part of Title 19, chapter 13, part 10, and the provisions of Title 19, chapter 13, part 10, apply to [section 18].

NEW SECTION. **Section 22. Effective date.** [This act] is effective on passage and approval.

- END -